

1 UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

2 -----x
In re: Chapter 11
3 RESIDENTIAL CAPITAL, LLC, et al., Case No.
Debtors. 12-12020 (MG)
4 Jointly
Administered

5 -----x
RESIDENTIAL CAPITAL, LLC, et al.,
6 Plaintiffs,
Adversary Proceeding
7 v. No. 13-01343 (MG)

8 UMB BANK, N.A., as successor
indenture trustee under that
certain Indenture, dated as of
9 June 6, 2008; and WELLS FARGO BANK, Purple Highlighting = Wells Fargo
N.A., third priority collateral Bank, N.A. Designation
10 agent and collateral control agent
under that certain Amended and
11 Restated Third Priority Pledge
and Security Agreement and
12 Irrevocable Proxy, dated as of
December 30, 2009,
13 Defendants.

14 -----x
OFFICIAL COMMITTEE OF UNSECURED
CREDITORS, on behalf of the estates
15 of the Debtors,
Plaintiff,

16 v. Adversary Proceeding
No. 13-01277 (MG)

17 UMB BANK, N.A., as successor
18 indenture trustee under that
certain Indenture, dated as of VIDEOTAPED
19 June 6, 2008; and WELLS FARGO DEPOSITION OF:
BANK, N.A., third priority TERESA RAE FARLEY
20 collateral agent and
collateral control agent under
21 that certain Amended and Restated Third
Priority Pledge and Security Agreement and
22 Irrevocable Proxy, dated as of
December 30, 2009,
23 Defendants.

24 -----x
September 18, 2013 - New York, New York
25 Mary F. Bowman Job No. 65729

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<p>1 2 3 4 5 6 September 18, 2013 7 9:35 a.m. 8 9 10 Deposition of TERESA RAE FARLEY, 11 held at the offices of Akin, Gump, Strauss, 12 Hauer & Feld, One Bryant Park, New York, 13 New York, before Mary F. Bowman, a Registered 14 Professional Reporter, Certified Realtime Reporter, 15 and Notary Public of the State of New Jersey. 16 17 18 19 20 21 22 23 24 25</p>	<p>1 2 APPEARANCES: 3 MORRISON & FOERSTER 4 Attorneys for Debtor and the Witness 5 1290 Avenue of the Americas 6 New York, New York 10104 7 BY: STEFAN ENGELHARDT, ESQ. 8 9 AKIN GUMP STRAUSS HAUER & FELD 10 Attorneys for UMB Bank 11 One Bryant Park 12 New York, New York 10036 13 BY: DEBORAH NEWMAN, ESQ. 14 JULIA COHEN, ESQ. 15 16 KRAMER LEVIN 17 Attorneys for Unsecured Creditors Committee 18 1177 Avenue of the Americas 19 NEW YORK, NEW YORK 10036 20 BY: NATAN HAMERMAN, ESQ. 21 ALISSA GOODMAN, ESQ. 22 23 24 25</p>
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<p>1 2 APPEARANCES: 3 4 WHITE & CASE 5 Attorneys for Junior Secured Noteholders 6 1155 Avenue of the Americas 7 New York, New York 10036 8 BY: DOUGLAS BAUMSTEIN, ESQ. 9 VANESSA SODERBERG, ESQ. 10 11 KIRKLAND & ELLIS 12 Attorneys for Ally Financial 13 655 fifteenth Street NW 14 Washington DC 20005 15 BY: JUDSON BROWN, ESQ. 16 17 18 MILBANK TWEED HADLEY & McCLOY 19 Attorneys for Junior Secured Lenders 20 One Chase Manhattan Plaza 21 New York, New York 10005 22 BY: HAILEY DeKRAKER, ESQ. 23 24 25</p>	<p>1 2 APPEARANCES: 3 REED SMITH 4 Attorneys for Wells Fargo 5 599 Lexington Avenue 6 New York, New York 10022 7 BY: SARAH KAM, ESQ. 8 9 PACHULSKI STANG ZIEHL & JONES 10 Attorneys for Creditors Committee 11 780 Third Avenue 12 New York, New York 10017 13 BY: JASON ROSELL, ESQ. 14 15 16 Also Present: Steve Sanpietro, Videographer 17 18 19 20 21 22 23 24 25</p>

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<p>1</p> <p>2</p> <p>3</p> <p>4</p> <p>5 THE VIDEOGRAPHER: This is the</p> <p>6 start of the tape labeled number one of</p> <p>7 the videotape deposition of Terry Farley</p> <p>8 in the matter of In re: Residential</p> <p>9 Capital, LLC, Chapter 11, Case Number</p> <p>10 12-12020, in the United States Bankruptcy</p> <p>11 Court for the Southern District of</p> <p>12 New York.</p> <p>13 This deposition is being held at</p> <p>14 One Bryant Park, New York, New York, on</p> <p>15 Wednesday, September the 18th, 2013, at</p> <p>16 approximately 9:44 a.m.</p> <p>17 My name is Steve Sanpietro from TSG</p> <p>18 Reporting, Inc., and I am the legal video</p> <p>19 specialist. The court reporter today is</p> <p>20 Mary Bowman in association with TSG</p> <p>21 Reporting.</p> <p>22 May I please have counsel introduce</p> <p>23 themselves for the record, starting to my</p> <p>24 right.</p> <p>25 MR. ENGELHARDT: Stefan Engelhardt,</p>	<p>1</p> <p>2 from Morrison & Foerster, on behalf of</p> <p>3 the debtors and the witness.</p> <p>4 MR. BROWN: Judson Brown,</p> <p>5 Kirkland & Ellis, on behalf of Ally</p> <p>6 Financial.</p> <p>7 MS. GOODMAN: Alissa Goodman,</p> <p>8 Kramer, Levin, Naftalis & Frankel, LLP,</p> <p>9 for the unsecured creditors committee.</p> <p>10 MR. HAMERMAN: Natan Hamerman, also</p> <p>11 from the creditors committee.</p> <p>12 MR. ROSELL: Jason Rosell,</p> <p>13 Pachulski, Stang, Ziehl & Jones, for</p> <p>14 creditors committee.</p> <p>15 MS. KAM: Sarah Kam, Reed Smith, on</p> <p>16 behalf of Wells Fargo.</p> <p>17 MS. DeKRAKER: Hailey DeKraker,</p> <p>18 Milbank, Tweed, Hadley & McCloy, for the</p> <p>19 junior secured lenders.</p> <p>20 MS. SODERBERG: Vanessa Soderberg,</p> <p>21 White & Case, for the junior secured</p> <p>22 noteholders.</p> <p>23 MR. BAUMSTEIN: Doug Baumstein,</p> <p>24 White & Case, for the junior secured</p> <p>25 noteholders.</p>
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<p>1</p> <p>2 MS. COHEN: Julia Cohen, from Akin</p> <p>3 Gump, for UMB Bank.</p> <p>4 MS. NEWMAN: Deborah Newman, also</p> <p>5 from Akin Gump, on behalf of UMB Bank.</p> <p>6 THE VIDEOGRAPHER: Will the court</p> <p>7 reporter please swear in the witness.</p> <p>8 TERRY FARLEY,</p> <p>9 called as a witness by the parties,</p> <p>10 having been duly sworn, testified as</p> <p>11 follows:</p> <p>12 EXAMINATION BY</p> <p>13 MS. NEWMAN:</p> <p>14 Q. Good morning, Ms. Farley.</p> <p>15 A. Yes.</p> <p>16 Q. As I said, I am Deborah Newman with</p> <p>17 Akin Gump. We represent UMB Bank as</p> <p>18 successor indenture trustee to the junior</p> <p>19 secured noteholders, who I will refer to</p> <p>20 today as the JSNs. Do you understand that?</p> <p>21 A. Absolutely.</p> <p>22 Q. Thank you.</p> <p>23 Are you represented by counsel</p> <p>24 today, Ms. Farley?</p> <p>25 A. I am.</p>	<p>1</p> <p>2 Q. Is that Mr. Engelhardt?</p> <p>3 A. Yes, it is.</p> <p>4 Q. Anyone else in this room</p> <p>5 representing you?</p> <p>6 A. No.</p> <p>7 Q. Have you been deposed before?</p> <p>8 A. No.</p> <p>9 Q. I am going to go over a few ground</p> <p>10 rules. It will just make everything go, I</p> <p>11 think, a little quicker and easier today.</p> <p>12 The court reporter is going to be</p> <p>13 taking down our conversation, as you can see,</p> <p>14 so it is important that you let me finish my</p> <p>15 questions before you begin answering, and</p> <p>16 I'll try to do the same with you with respect</p> <p>17 to your answers. OK?</p> <p>18 A. Um-hm.</p> <p>19 Q. And the next one is that you have</p> <p>20 to answer my questions verbally, because the</p> <p>21 court reporter obviously can't take down a</p> <p>22 head nod or --</p> <p>23 A. Right.</p> <p>24 Q. Does that make sense?</p> <p>25 A. Yes.</p>

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<p>1</p> <p>2 Q. If any of my questions are unclear,</p> <p>3 please let me know, and I will try to</p> <p>4 rephrase them in a way that's more easily</p> <p>5 understood. Does that make sense?</p> <p>6 A. Sure.</p> <p>7 Q. From time to time, your counsel or</p> <p>8 someone else in the room may object to a</p> <p>9 question that I ask. Unless your counsel</p> <p>10 instructs you not to answer the question, you</p> <p>11 can go ahead and answer. Does that make</p> <p>12 sense?</p> <p>13 A. Yes.</p> <p>14 Q. If you need a break at any time</p> <p>15 today, please let me know, and I will try to</p> <p>16 accommodate you. I would just ask if there</p> <p>17 is a question pending, that you go ahead and</p> <p>18 answer the question, and then we will take a</p> <p>19 break.</p> <p>20 A. OK.</p> <p>21 Q. Ms. Farley, do you understand that</p> <p>22 you are under oath today?</p> <p>23 A. Yes, I do.</p> <p>24 Q. Is there any reason, such as taking</p> <p>25 medication or anything like that, that you</p>	<p>1</p> <p>2 would be unable to answer my questions to the</p> <p>3 best of your ability today?</p> <p>4 A. No.</p> <p>5 Q. Ms. Farley, what did you do to</p> <p>6 prepare for today's deposition?</p> <p>7 A. Spent the last two days with my</p> <p>8 counsel at MoFo and various other attorneys.</p> <p>9 Q. Can you tell me, please, what other</p> <p>10 attorneys were there?</p> <p>11 A. I may need some help with that.</p> <p>12 Stefan was there. Samantha Martin was there</p> <p>13 from MoFo.</p> <p>14 Q. Anyone else from MoFo?</p> <p>15 A. No.</p> <p>16 Alissa and Natan.</p> <p>17 Q. From Kramer Levin?</p> <p>18 A. From Kramer Levin.</p> <p>19 And John was there for the first</p> <p>20 day as well.</p> <p>21 Q. Is that John Morris?</p> <p>22 A. I believe so.</p> <p>23 Q. OK. Anyone else?</p> <p>24 A. Mike was there, and I'm not going</p> <p>25 to recall the firm Mike was with.</p>
Page 12	Page 13
<p>1</p> <p>2 Q. Do you know Mike's last name?</p> <p>3 A. I don't recall it.</p> <p>4 Q. Do you know who Mike represents in</p> <p>5 this matter?</p> <p>6 A. I don't recall it. He was</p> <p>7 introduced, but --</p> <p>8 Q. OK. You said you met for the past</p> <p>9 two days. So I am having trouble keeping</p> <p>10 track of what day it is, but I guess Monday</p> <p>11 would be the first day you met?</p> <p>12 A. Right.</p> <p>13 Q. How long did you meet on Monday?</p> <p>14 A. We met approximately 20 hours over</p> <p>15 the past two days.</p> <p>16 Q. Wow, OK. Were you shown documents?</p> <p>17 A. Yes.</p> <p>18 Q. Can you tell me what documents you</p> <p>19 were shown?</p> <p>20 MR. ENGELHARDT: Objection, and</p> <p>21 instruct the witness not to answer.</p> <p>22 MS. NEWMAN: What's the basis for</p> <p>23 the instruction?</p> <p>24 MR. ENGELHARDT: Work product</p> <p>25 privilege.</p>	<p>1</p> <p>2 MS. NEWMAN: I would note for the</p> <p>3 record we obviously dispute that there is</p> <p>4 any privilege that attends to</p> <p>5 communications between the debtor and the</p> <p>6 committee with respect to the committee</p> <p>7 complaint.</p> <p>8 Q. Ms. Farley, about how many</p> <p>9 documents were you shown?</p> <p>10 A. What is your definition of</p> <p>11 "documents"?</p> <p>12 Q. I guess something that's reduced to</p> <p>13 paper.</p> <p>14 A. In terms of executed documents,</p> <p>15 probably four or five.</p> <p>16 Q. And when you say "executed</p> <p>17 documents," are you referring to agreements?</p> <p>18 A. Yes.</p> <p>19 Q. Were you shown documents other than</p> <p>20 agreements?</p> <p>21 A. Yes.</p> <p>22 Q. Such as e-mails?</p> <p>23 A. Yes.</p> <p>24 Q. And approximately how many?</p> <p>25 A. Maybe a hundred, 75 to 100.</p>

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<p>1 2 Q. OK. And who led the discussion? 3 A. Largely Stefan. John and Natan to 4 a lesser degree. 5 Q. Other than the two meetings that 6 you just told me about that lasted for 7 approximately 20 hours, did you do anything 8 else to prepare for this deposition? 9 A. I reviewed certain provisions of 10 the revolver, and of the pledge and security 11 agreement relating to the revolver. 12 Q. Any other documents? 13 A. No. 14 Q. Which provisions of the revolver 15 agreement did you review? 16 A. Some of the definitions, the 17 provisions relating to collateral, and the 18 lien releases. I also quickly reviewed some 19 of the covenants. 20 Q. When you say the definitions -- 21 actually, strike that. 22 Which provisions of the revolver 23 pledge and -- pledge agreement did you 24 review? 25 A. Some of the definitions, the lien</p>	<p>1 2 release provisions and some of the granting 3 provisions. 4 Q. Did you review the definition of 5 "collateral" under the revolver pledge 6 agreement? 7 A. I would have reviewed the 8 definition -- the definitions relating to 9 collateral also. 10 Q. OK. And then would that include 11 the definition of "excluded assets"? 12 A. Yes. 13 Q. OK. What were the portions of, or 14 what were the topics for which Mr. Morris or 15 Natan led the discussion? 16 MR. ENGELHARDT: Objection. I 17 instruct the witness not to answer. 18 MS. NEWMAN: OK. And I'll note for 19 the record that we dispute that there is 20 a privilege that would apply to that 21 question. 22 Q. OK. Other than what you have told 23 me about, did you do anything else to prepare 24 for this deposition? 25 A. I had a brief conversation with</p>
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<p>1 2 Barb Westman and a brief conversation with 3 Joe Ruhlin. 4 Q. Anyone else? 5 A. No. 6 Q. Who is Ms. Westman? 7 A. Barb Westman works in the finance 8 department of ResCap. 9 Q. What are her responsibilities in 10 the finance department? 11 A. Well, I was just -- she is working 12 with a lot of the financial reporting and 13 with CFDR. 14 Q. OK. And CFDR is the debtors' 15 collateral tracking database? 16 A. It is an Oracle database that is 17 used for finance and some treasury functions. 18 I discussed with her some of the financial 19 components relating to that. 20 Q. Can you tell me what were the 21 financial components of the CFDR that you 22 discussed with Ms. Westman? 23 A. I discussed a little bit of the 24 development. I discussed the reconciliation 25 to the ledger. And I discussed -- discussed</p>	<p>1 2 I think CFDR a little bit generally. 3 Q. When you say "development," you 4 mean the development of the CFDR? 5 A. She was involved with the 6 development of the CDPR back in 2008. 7 Q. 2008. OK. Were you involved in 8 that as well? 9 A. Tangentially. 10 Q. Who is Mr. Ruhlin? 11 A. Mr. Ruhlin is currently an employee 12 of Green Tree. 13 Q. What's Green Tree? 14 A. It's a company in the -- it's a 15 company in Minneapolis. No longer 16 affiliated. 17 Q. No longer affiliated with ResCap? 18 A. Yes. 19 Q. What kind of company is Green Tree? 20 A. He works in a mortgage origination 21 group. 22 Q. And what was Mr. Ruhlin's 23 affiliation with ResCap? 24 A. At the time I started ResCap, Joe 25 was responsible for the roll-forwards, which</p>

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<p>1 2 was really cash forecasting, and we worked 3 very closely as it related to understanding 4 the needs of ResCap from a financial 5 perspective. Ultimately, Joe took over some 6 of my managerial responsibilities within the 7 treasury group. 8 Q. And what did you discuss with 9 Mr. Ruhlin in connection with this 10 deposition? 11 A. Joe actually called me, we talked 12 just a little bit about the lien release 13 process which he had taken over. And we 14 discussed how well we worked together. 15 Q. Other than what you have told me, 16 did you do anything else to prepare for 17 today's deposition? 18 A. No. 19 Q. Ms. Farley, can you tell -- give me 20 a brief description of your educational 21 background, beginning with college? 22 A. I went to the College of 23 St. Benedict, Saint John's University, in 24 Minnesota. Graduated from there in 1982, and 25 then I went to law school at the University</p>	<p>1 2 of Minnesota until 1985. 3 Q. And can you please give me a brief 4 description of your employment background, 5 beginning with your first job after 6 graduating from law school? 7 A. Started at Dorsey & Whitney, where 8 I was in the corporate department. I went 9 over to the business side in 1989, where I 10 was at RFC. I ran -- I grew into various 11 positions there. But over time, I ran the 12 securitization group, including all of the 13 sales and operations relating to that. I ran 14 parts of master servicing. I ran the 15 investor relations group. 16 I was involved in a number of new 17 product developments, a number of board 18 committees, particularly those relating to 19 expansions into various business 20 opportunities, and restructuring of the 21 company. 22 After RFC, several of us left to 23 establish a new conduit funded by DLJ that -- 24 DLJ was subsequently acquired by Credit 25 Suisse First Boston, and, you know, at that</p>
Page 20	Page 21
<p>1 2 time, we implemented our business plan for 3 CSFB. I basically was -- was involved with 4 establishing an origination, mortgage loan 5 origination platform there, established a 6 warehouse lending platform there. 7 We brought the trading desk into a 8 variety of new products. I was involved with 9 some corporate finance activities. I was 10 also involved with vendor diligence, vendor 11 selection, and the creation of various 12 service-level agreements to monitor and 13 compensate vendors appropriately. 14 I went from there to Merrill Lynch, 15 where I set up an asset-based lending 16 company. I was at Merrill Lynch until the 17 meltdown occurred, and then everything was 18 pretty much closed at Merrill Lynch. 19 At that point, I received a phone 20 call from several ResCap employees asking if 21 I was interested in coming on board to help 22 with the restructuring and, you know, what is 23 known as the revolver now. They knew the 24 right words to say. I came on for a two- to 25 three-week engagement.</p>	<p>1 2 I was there until -- with two small 3 breaks, until this past November, as a 4 consultant, and then in November, just before 5 Thanksgiving, I recall, I came on board as a 6 full-time employee. 7 Q. Thank you. 8 You mentioned RFC. What is RFC? 9 A. RFC is Residential Funding 10 Corporation. It was the -- it was the 11 original conduit established by Norwest Bank. 12 At that point, it was owned by -- I think it 13 was owned by Anchor Bank. Norwest had sold 14 it to Anchor Bank. Anchor Bank subsequently 15 sold it to Salomon -- no. Norwest sold it to 16 Salomon, Salomon sold it to Anchor, and then 17 Anchor Bank sold it to GMAC. 18 Q. When was -- was it owned by GMAC 19 during the time that you were working there? 20 A. I started when it was owned by 21 Anchor Bank, and then I was there during the 22 acquisition by GMAC. 23 Q. What is a conduit? 24 A. The conduit was basically the 25 entity that took originated mortgage loans</p>

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<p>1 2 and basically securitized them, sold them 3 into the secondary market. 4 Q. And you said that you left Merrill 5 when the meltdown occurred. I think it could 6 be interpreted to have been a series of 7 meltdowns during a particular period in 8 recent history. 9 What exactly was the time frame you 10 were referring to when you said "meltdown"? 11 A. 2008. Wait, 2007, I'm sorry. 12 Q. 2007? 13 A. Um-hm. 14 Q. Just to make sure that we are on 15 the same page as I'm going through and asking 16 my questions today, I just want to make clear 17 that I am going to be referring -- when I say 18 "ResCap," I'm referring to Residential 19 Capital, LLC, and its former and current -- 20 and direct and indirect subsidiaries. So not 21 the entities above ResCap -- Residential 22 Capital, LLC. 23 A. OK. 24 Q. Does that make sense? 25 A. Yes.</p>	<p>1 2 Q. And when I say Ally or AFI, I am 3 referring to the entity now known as Ally 4 Financial Inc., formerly loan as GMAC Inc. 5 Does that make sense? 6 A. Yes. 7 (Exhibit 1, notice of deposition 8 marked for identification, as of this 9 date.) 10 Q. Ms. Farley, you have just been 11 handed what has been marked as Farley 12 Exhibit 1, which is the deposition notice 13 that was served on the debtors in this 14 matter. Have you seen this document before? 15 A. No. 16 Q. Can you just take a minute -- I'm 17 going to represent that the numbers that are 18 highlighted are the topics for which you have 19 been designated to serve as ResCap's 20 corporate representative during this 21 deposition. Can you please take a look at 22 those highlighted topics and let me know if 23 you have knowledge of each of the highlighted 24 topics. 25 MR. ENGELHARDT: You want her to go</p>
Page 24	Page 25
<p>1 2 one by one through all 30-some-odd -- 3 MS. NEWMAN: I want her to look at 4 them and tell me if there are any that 5 she does not have knowledge of. 6 MR. ENGELHARDT: Counsel, for the 7 record, with respect to the topics, the 8 variety of topics, listed communications 9 with the committee and/or AFI, generally 10 we designated two witnesses for those 11 topics. Ms. Farley is here as a 12 corporate designee on those categories 13 with respect to communications with AFI 14 only. 15 MS. NEWMAN: Thank you for the 16 clarification. 17 A. As Stefan said, I did not have any 18 communications with the committee on any of 19 these. 20 Q. OK. 21 A. So that would not be appropriate to 22 look to me for that. 23 With respect to 52, I did not have 24 any communications with anyone about the 25 notes collateral in a preferential transfer.</p>	<p>1 2 I have knowledge of what happened in the 3 90 days prior, but I don't know if there is 4 another party or if any conversations 5 occurred. 6 Q. So you do not know if anyone at 7 ResCap, other than yourself, had such 8 communications? 9 A. Correct. 10 And I don't have the listing 11 Schedule 6 in items 56 and 57. 12 Q. Have you seen those schedules? 13 A. I don't know. 14 Q. Have you seen the committee 15 complaint? 16 A. Very briefly. 17 I am familiar with transactions, 18 categories of transactions and the assets 19 that were on the revolver and pledged to the 20 JSNs, however. 21 Q. Thank you. 22 You said that you were -- and I'm 23 using my own language now -- lured back to 24 ResCap in 2007. 25 MR. ENGELHARDT: Objection to form.</p>

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<p>1</p> <p>2 Q. Is that correct?</p> <p>3 A. No.</p> <p>4 Q. OK. What's incorrect about that?</p> <p>5 A. I left Merrill in 2007. I joined</p> <p>6 ResCap in May of 2008.</p> <p>7 Q. Understood.</p> <p>8 And what was it that you were</p> <p>9 asked -- when ResCap contacted you to come</p> <p>10 back in or about May 2008, what was it that</p> <p>11 they were asking you to come -- or to come to</p> <p>12 ResCap as a consultant, what was it that they</p> <p>13 were asking you to do?</p> <p>14 A. To help close the restructuring and</p> <p>15 negotiate and close the revolver.</p> <p>16 Q. And what are you referring to when</p> <p>17 you say "the restructuring"?</p> <p>18 A. The bond exchange.</p> <p>19 Q. And what was the status of the bond</p> <p>20 exchange at that time?</p> <p>21 MR. ENGELHARDT: Objection to form.</p> <p>22 Q. You can answer.</p> <p>23 MR. ENGELHARDT: You can answer.</p> <p>24 A. I joined on the Monday after the</p> <p>25 offering memoranda had been printed.</p>	<p>1</p> <p>2 Q. OK. So did you -- is it correct</p> <p>3 then that you did not participate in any</p> <p>4 negotiations with bondholders respecting the</p> <p>5 terms of the exchange?</p> <p>6 A. I was on conversations including</p> <p>7 bondholders' counsel relating to the pledge</p> <p>8 and security agreements associated with the</p> <p>9 junior and senior bondholders. I was a -- I</p> <p>10 provided comments, and I suspect I was on</p> <p>11 conversations, again, with a variety of</p> <p>12 attorneys, including JSN attorneys, and</p> <p>13 likely business people, with respect to some</p> <p>14 of the indenture provisions.</p> <p>15 I don't believe the indenture had</p> <p>16 been final at the time the offering memo was</p> <p>17 created.</p> <p>18 Q. Did you have any involvement in</p> <p>19 discussions about the exchange of the</p> <p>20 existing notes for the JSNs and the terms of</p> <p>21 what that exchange would be, other than what</p> <p>22 you have just described?</p> <p>23 A. No.</p> <p>24 Q. So for example, you were not a</p> <p>25 participant in any conversations respecting</p>
Page 28	Page 29
<p>1</p> <p>2 whether the principal amount of the existing</p> <p>3 notes would be reduced?</p> <p>4 MR. ENGELHARDT: Objection to form.</p> <p>5 A. I was aware those conversations</p> <p>6 were taking place. I don't recall being on</p> <p>7 or participating in any of those.</p> <p>8 Q. OK. Who did participate in those?</p> <p>9 A. John Peterson from ResCap. Laura</p> <p>10 Hall and Corey Pinkston from Ally. There may</p> <p>11 have been other individuals, but that's my</p> <p>12 knowledge.</p> <p>13 Q. Do you know the terms of the</p> <p>14 exchange -- and again, I'm differentiating</p> <p>15 the exchange from the security agreement and</p> <p>16 indenture --</p> <p>17 A. Right.</p> <p>18 Q. How the terms of the exchange</p> <p>19 changed during the period between which the</p> <p>20 exchange was first envisioned and the time</p> <p>21 that it was consummated?</p> <p>22 MR. ENGELHARDT: Objection to form.</p> <p>23 A. I don't recall if I ever knew.</p> <p>24 Q. OK. You don't know if you ever</p> <p>25 knew at one time?</p>	<p>1</p> <p>2 A. Correct.</p> <p>3 Q. But you do not know now; is that</p> <p>4 correct?</p> <p>5 A. I do not know now.</p> <p>6 Q. And would the same people that you</p> <p>7 named in response to my question about</p> <p>8 negotiations with bondholders be the people</p> <p>9 who would know about the way in which the</p> <p>10 terms of the exchange may have changed over</p> <p>11 time?</p> <p>12 A. Yes.</p> <p>13 Q. Anyone else?</p> <p>14 A. Not that I can think of. Attorneys</p> <p>15 representing those business people, but --</p> <p>16 Q. OK, thank you.</p> <p>17 (Exhibit 2, Terry Farley's LinkedIn</p> <p>18 profile marked for identification, as of</p> <p>19 this date.)</p> <p>20 Q. Ms. Farley, you have just been</p> <p>21 handed Farley Exhibit 2, which is your</p> <p>22 LinkedIn profile that I downloaded off of the</p> <p>23 LinkedIn website.</p> <p>24 A. Um-hm.</p> <p>25 Q. Looking at the information that's</p>

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<p>1 listed under Terry Farley's experience, was</p> <p>2 this information written by you?</p> <p>3 A. Yes.</p> <p>4 Q. And I'm particularly focused on the</p> <p>5 second blurb, which says, "Financial services</p> <p>6 professional consultant, GMAC ResCap." The</p> <p>7 first sentence says, "Involved with</p> <p>8 developing and implementing business</p> <p>9 strategies in order to manage GMAC ResCap's</p> <p>10 liquidity needs."</p> <p>11 Can you explain to me what that</p> <p>12 entailed?</p> <p>13 A. Sure. When I joined in 2008,</p> <p>14 obviously it was a crisis time for ResCap.</p> <p>15 And even before the revolver was executed, we</p> <p>16 realized there wasn't going to be enough cash</p> <p>17 coming off of that facility to maintain</p> <p>18 business operations. So everybody knew that</p> <p>19 we were going to need to continue to find</p> <p>20 ways to monetize assets, to put new lines in,</p> <p>21 to expand lines.</p> <p>22 So after the -- well, as the</p> <p>23 revolver was closed, and the Resort was</p> <p>24 pulled out, separate financing happened</p> <p>25</p>	<p>1 there, I believe the factoring started about</p> <p>2 that time. I was very involved with Joe</p> <p>3 Ruhlin and some other senior management in</p> <p>4 looking at what the cash flow needs were</p> <p>5 going to be for the company moving forward.</p> <p>6 And we had roll-forwards which showed</p> <p>7 expenditures that were anticipated, you know,</p> <p>8 either by business units or because large</p> <p>9 payments were coming due. And we also were</p> <p>10 able to forecast revenues we expected to</p> <p>11 receive in.</p> <p>12 We worked through lists of assets,</p> <p>13 you know, because we had lists of every asset</p> <p>14 in the company, pledged, unpledged, whatever,</p> <p>15 and we were looking to see where we could</p> <p>16 find value, where we could monetize assets to</p> <p>17 be able to meet the financial needs of the</p> <p>18 company.</p> <p>19 That happened actually, you know,</p> <p>20 through the tenure there. Looking at the</p> <p>21 roll-forwards, figuring out what monies we</p> <p>22 would have available, what we would be short,</p> <p>23 and having a forecast like that, we would</p> <p>24 have some time to react and trying to figure</p> <p>25</p>
Page 32	Page 33
<p>1 out how we were going to manage to make the</p> <p>2 payments we needed to manage -- we needed to</p> <p>3 make.</p> <p>4 So that's an overview of what that</p> <p>5 meant.</p> <p>6 Q. Of that first sentence.</p> <p>7 A. Um-hm.</p> <p>8 Q. OK. Let's take a step back on this</p> <p>9 point. What was -- what were the sources of</p> <p>10 funding for ResCap's business prior to the</p> <p>11 implementation of the restructuring?</p> <p>12 MR. ENGELHARDT: Objection to form.</p> <p>13 A. There was obviously cash, although</p> <p>14 not that significant, and there were lines,</p> <p>15 there were financing lines. And ResCap also</p> <p>16 funded itself through the sale of assets,</p> <p>17 through the securitization and sale of loans,</p> <p>18 of servicing.</p> <p>19 Q. OK. And what were the lines of</p> <p>20 financing that you referenced?</p> <p>21 A. There were a number of them. When</p> <p>22 I came on, they were being consolidated into</p> <p>23 a single line, I believe led by B of A.</p> <p>24 You're talking about before the</p> <p>25</p>	<p>1 revolver and the bond exchange?</p> <p>2 Q. Yes.</p> <p>3 A. So to my knowledge, there were a</p> <p>4 lot of lines out there.</p> <p>5 Q. OK. And were they -- were those</p> <p>6 lines actually consolidated into a single</p> <p>7 line?</p> <p>8 A. A number of them were, not all of</p> <p>9 them.</p> <p>10 Q. And what about bilateral</p> <p>11 facilities? Were there bilateral facilities</p> <p>12 in place at that time?</p> <p>13 MR. ENGELHARDT: Objection to form.</p> <p>14 You can answer.</p> <p>15 A. The bilateral facilities were the</p> <p>16 other lines.</p> <p>17 Q. And what is a bilateral facility?</p> <p>18 A. It is a lending arrangement between</p> <p>19 ResCap and a third party. The third party</p> <p>20 may be an individual party -- a named party</p> <p>21 acting on behalf of several banks or lenders,</p> <p>22 or it may be a single lender.</p> <p>23 Q. OK. What were the -- what was the</p> <p>24 duration of the bilateral facilities that</p> <p>25</p>

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<p>1 2 were in place prior to the restructuring? 3 MR. ENGELHARDT: Objection to form. 4 A. I was not involved with the 5 restructuring of those bilateral facilities, 6 except as it related to incorporating that 7 information in the revolver and working with 8 the remaining facilities going forward. So I 9 don't have an answer to that question. 10 Q. OK. To your knowledge, were those 11 typically long-term facilities that lasted 12 for a period of years? 13 MR. ENGELHARDT: Objection to form. 14 A. Typically facilities have 15 approximately a one-year term, with the 16 expectation that it would be renewed barring 17 business changes, you know, either in the 18 interest of the lender, exiting the business, 19 or the needs of the borrowers. 20 Q. OK. Do you know if at the time of 21 the restructuring, there was an expectation 22 that the bilateral facilities then in place 23 would be renewed? 24 A. There was an expectation that the 25 bilateral facilities remaining in place after</p>	<p>1 2 the restructuring would exist for a period of 3 time, and the expectation was that they would 4 be renewed or that we would need to find 5 alternative funding sources if they weren't. 6 Q. OK. Was part -- what was the 7 impetus for putting the revolver in place? 8 MR. ENGELHARDT: Objection to form. 9 A. I was not involved with those 10 discussions, so this is speculation based on 11 my conversations of the time. 12 But ResCap was basically out of 13 money and was not going to be able to meet 14 its debts going forward, and this was a way 15 of monetizing assets so that ResCap would get 16 money coming in and it could pay down some of 17 the debts which it knew were coming, and as 18 well as to fund its ongoing business 19 operations. 20 Q. OK. Was there a -- was the 21 expectation that the revolver would exist 22 coincident with the bilateral facilities? 23 A. Yes. 24 Q. So it wasn't the expectation that 25 certain of the bilateral facilities would</p>
Page 36	Page 37
<p>1 2 terminate? 3 A. My understanding, and recollection 4 of the time, is that some of the bilateral 5 facilities terminated, some of the bilateral 6 facilities were combined into a single 7 facility managed by, it might have been B of 8 A but I'm not sure, and some of the bilateral 9 facilities would continue. 10 Q. OK. Looking back at the LinkedIn 11 profile, the second sentence reads, "Manage 12 structuring -- manage structuring, ops and 13 compliance teams relating to secured funding 14 facilities, domestically and internationally, 15 and provide legal expertise relating to 16 various business arrangements." 17 Can you give me a broad description 18 of what that entailed? 19 A. Over time -- well, after the 20 initial closing happened, which was the two 21 to three weeks I came on board for, first 22 they asked me to stay through the end of the 23 summer to help operationalize the revolver 24 and to work with them in terms of some of the 25 assets and other funding needs.</p>	<p>1 2 And during that time -- let me see, 3 what's it -- during that time, I was very 4 largely involved in setting up a lot of the 5 procedures and processes utilized by the 6 company to fulfill the various obligations 7 under the revolver, and that included 8 training and working very closely with all of 9 the structuring and operational individuals 10 and people who led the various business units 11 around, you know, the ResCap organization. 12 I eventually ended up -- I thought 13 I was going to be gone, and then I was 14 extended and asked to take on -- over time 15 asked to take on management of the 16 structuring and operational roles. So I 17 managed those groups. 18 I managed -- I was subsequently 19 asked to take on the internal treasury 20 compliance group. So I managed that group. 21 This was all happening as a consultant. 22 Q. OK. 23 A. And the secured funding facilities, 24 domestically and internationally, the team I 25 took over that I worked very closely with</p>

1 before, during and after my management of
2 them, you know, we managed facilities across
3 the country. We managed the facilities in
4 the UK, we managed the facilities in Europe.

5 Q. OK. And that would include the
6 revolver?

7 A. That included the revolver.

8 Q. OK.

9 A. And it included the LOC and credit
10 agreement and other docs.

11 Q. OK. You said -- you used the term
12 "operationalize" the revolver. What does
13 that mean?

14 A. It means taking legal constructs
15 set out in the agreement and turning them
16 into reality.

17 Q. OK. Can you give me an example of
18 that?

19 A. We had to create a borrowing base
20 on a monthly basis and provide that to Ally,
21 Wells and U.S. Bank. So the document
22 basically said, you are going to deliver
23 information. That first month, there was a
24 paper, actually a variety of papers that
25

1 actually needed to be delivered.

2 Operationalizing is basically
3 taking the concept of a report being
4 delivered and then working with the various
5 people and systems inside the company to
6 actually create a report that satisfies the
7 provisions of the document. That would be an
8 example.

9 Q. OK.

10 A. And another example would be
11 needing to get BPOs on, you know, our
12 properties every 90 days. Somebody needed to
13 communicate that that was necessary, insure
14 the business units set up that process, and
15 then set up a process to make sure that the
16 people that were supposed to do that, indeed
17 were doing that.

18 But that's operationalizing.

19 Q. OK. What is a BPO?

20 A. Broker price opinion.

21 Q. Would that include -- this
22 operationalizing the revolver, did that
23 include the creation of the CFDR?

24 A. Not directly.
25

1 Q. I'm not sure I understand your
2 answer.

3 A. The CFDR --

4 MR. ENGELHARDT: There is no
5 question.

6 Q. Can you explain it for me further,
7 please?

8 A. The CFDR is an Oracle database used
9 within the finance world. It had been
10 conceptualized before the revolver came into
11 place. The creation of the revolver was the
12 impetus for finance developing that
13 particular database and that technology.

14 Q. Who are the people at ResCap who
15 are the most knowledgeable of the way in
16 which the CFDR works as far as tracking
17 collateral?

18 A. Barb Westman.

19 Q. And you said she was involved in
20 creating the CFDR; is that correct?

21 A. She was involved in creating the
22 CFR.

23 Q. You are using the term "CFR." Is
24 that how it is referred to?
25

1 A. CFDR. I'm probably just softly
2 saying the D.

3 Q. OK, I missed it.

4 OK. Can you turn back to the
5 LinkedIn profile, please. The third sentence
6 in the section we have been looking at says,
7 "In conjunction with GMAC ResCap senior
8 management, strategized, negotiated and
9 implemented multibillion debt
10 restructurings."

11 What does that refer to?

12 A. It refers to the bond exchange, and
13 it refers to other projects that never came
14 to fruition within the company.

15 Q. And does that primarily relate to
16 the indenture and pledge agreement relating
17 to the restructuring?

18 A. Yes, as well as again
19 operationalizing the provisions in the
20 indenture that we needed to insure were
21 followed.

22 Q. OK.

23 MR. ENGELHARDT: Which one do you
24 have? Which one is that?
25

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<p>1</p> <p>2 MS. NEWMAN: It is the original</p> <p>3 revolver agreement and the original</p> <p>4 pledge agreement. Do you have your own</p> <p>5 copy?</p> <p>6 MR. ENGELHARDT: I might have my</p> <p>7 own copy. Original loan agreement and</p> <p>8 the what? I'm sorry.</p> <p>9 MS. NEWMAN: Original revolver</p> <p>10 security agreement.</p> <p>11 MR. ENGELHARDT: First priority or</p> <p>12 third priority?</p> <p>13 MS. NEWMAN: First.</p> <p>14 MR. ENGELHARDT: I have them.</p> <p>15 Thank you.</p> <p>16 (Exhibit 3, first priority pledge</p> <p>17 and security agreement marked for</p> <p>18 identification, as of this date.)</p> <p>19 (Exhibit 4, loan agreement marked</p> <p>20 for identification, as of this date.)</p> <p>21 MR. ENGELHARDT: 3 is the revolver?</p> <p>22 MS. NEWMAN: The loan agreement is</p> <p>23 going -- I believe the loan agreement is</p> <p>24 3?</p> <p>25 THE WITNESS: The loan agreement is</p>	<p>1</p> <p>2 4.</p> <p>3 MS. NEWMAN: Oh, OK. That's fine.</p> <p>4 I don't think it matters.</p> <p>5 MR. HAMERMAN: Just for clarity,</p> <p>6 are we re-marking these as Farley 3 and</p> <p>7 4?</p> <p>8 MS. NEWMAN: Yes.</p> <p>9 MR. HAMERMAN: That's what we are</p> <p>10 doing?</p> <p>11 MS. NEWMAN: Yes.</p> <p>12 MR. BAUMSTEIN: Apparently the loan</p> <p>13 agreement is Farley 4.</p> <p>14 Q. Ms. Farley, you have been handed</p> <p>15 the loan agreement relating to the revolver,</p> <p>16 and the first priority pledge and security</p> <p>17 agreement relating to the revolver. Have you</p> <p>18 seen these documents before?</p> <p>19 A. Yes.</p> <p>20 Q. Let's start with the loan</p> <p>21 agreement. Were you involved in negotiating</p> <p>22 this agreement?</p> <p>23 A. Yes.</p> <p>24 Q. And who else, who else was involved</p> <p>25 in those negotiations?</p>
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<p>1</p> <p>2 A. John Peterson, and Joe Ruhlin would</p> <p>3 provide feedback on some aspects. He was not</p> <p>4 directly involved with the conversations for</p> <p>5 the most part.</p> <p>6 Q. And those -- you, Mr. Ruhlin and</p> <p>7 Mr. Peterson were acting on behalf of ResCap</p> <p>8 in these negotiations?</p> <p>9 A. Correct.</p> <p>10 Q. Was there anyone else acting on</p> <p>11 behalf of ResCap in these negotiations?</p> <p>12 A. There were other individuals likely</p> <p>13 involved and providing feedback on various</p> <p>14 sections as to which they may have some</p> <p>15 expertise, but no, no parties come to mind.</p> <p>16 Q. OK.</p> <p>17 A. Documents such as this are</p> <p>18 distributed fairly widely.</p> <p>19 Q. OK.</p> <p>20 A. Sue Bode probably was involved, but</p> <p>21 I don't have direct recollection of</p> <p>22 conversations with her.</p> <p>23 Q. Who is Sue Bode?</p> <p>24 A. Finance.</p> <p>25 Q. Is she still with ResCap?</p>	<p>1</p> <p>2 A. No.</p> <p>3 Q. Do you know where she -- who she</p> <p>4 works for now?</p> <p>5 A. I think that several years ago, she</p> <p>6 left to go to Marquette, but I could be</p> <p>7 wrong, and I'm not sure if she is still</p> <p>8 there.</p> <p>9 Q. Who negotiated the loan agreement</p> <p>10 on behalf of Ally?</p> <p>11 A. Laura Hall. She had an associate</p> <p>12 working with her out of the New York office</p> <p>13 whose name I do not recall. And Mary</p> <p>14 Fontaine, Mary Fontaine from Mayer Brown.</p> <p>15 The associate was working out of the New York</p> <p>16 Mayer Brown office.</p> <p>17 Mary -- I'm sorry. Laura and Corey</p> <p>18 Pinkston were negotiating, and they may have</p> <p>19 had a junior analyst or they may not have. I</p> <p>20 don't recall.</p> <p>21 Q. What was Ally's focus in these</p> <p>22 negotiations?</p> <p>23 MR. ENGELHARDT: Objection to form.</p> <p>24 MR. BROWN: Objection to form.</p> <p>25 A. Ally largely wanted to be secured</p>

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<p>1 2 by as many assets as was feasible, and Ally 3 also wanted a great deal of control over the 4 business and the operations of ResCap. 5 Q. OK. So just to be clear, you are 6 talking about security. So turning to the 7 secured -- the pledge and security agreement, 8 were these -- these negotiations that you 9 told me about, did they relate to that 10 agreement as well? 11 A. Yes. The revolver really happened 12 first. The PSA happened towards the closing, 13 if you will -- the end of the revolver 14 negotiations in terms of timing. 15 Q. OK, OK. And it would be the same 16 people who you told me -- 17 A. Yes. 18 Q. -- participated in the 19 negotiations -- 20 A. Yes. 21 Q. -- were involved in negotiations 22 relating to the security? 23 A. Yes. 24 Q. What was ResCap's response to 25 Ally's desire to be secured by as many assets</p>	<p>1 2 as possible? 3 MR. HAMERMAN: Objection to form. 4 A. ResCap largely appreciated Ally's 5 need to have their lines secured, but ResCap 6 also wanted to retain the flexibility in its 7 business management so that it could make 8 intelligent and efficient business decisions 9 relating to collateral to continue to fund 10 its operations. We obviously were trying to 11 protect the collateral to the extent we 12 could, so that it would be available for 13 future use should that be necessary, as we 14 all expected it would be. 15 We were trying to make the facility 16 operationally workable. This is a very, very 17 complicated facility, and it was a very 18 difficult facility, you know, to manage, both 19 to set up operationally and from a business 20 perspective with all of the business 21 restrictions here. 22 So we were continuing to try to 23 ease what was going to be a very significant 24 burden on the company to comply with this. 25 Q. And what was the ultimate solution</p>
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<p>1 2 or resolution -- strike that. 3 What was the ultimate agreement 4 with respect to the scope of the collateral 5 that was granted to Ally in connection with 6 the revolver? 7 MR. ENGELHARDT: Objection to form 8 and to the extent it calls for a legal 9 conclusion. 10 MR. HAMERMAN: I join in the 11 objection. 12 Q. You can go ahead and answer. 13 MR. ENGELHARDT: You can answer. 14 A. There were two sets of collateral 15 associated ultimately with the revolver. One 16 was designated as primary collateral. That 17 was collateral as to which a lien was given. 18 It was listed initially on an exhibit to the 19 pledge and security agreement. It was the 20 collateral that became the source of the 21 borrowing base. 22 The value of that collateral came 23 into play to determine the commitment amounts 24 and, you know, whether the loan amounts were 25 adequately collateralized. That primary</p>	<p>1 2 collateral was the collateral that was 3 subject to the terms of the revolver relating 4 to everything from requirements associated 5 with collateral disposition to the cash 6 flows. 7 There was a second group of 8 collateral that was subject to what we refer 9 to as the blanket lien. That was collateral 10 that was not primary collateral, but 11 collateral which was -- which grantors, 12 parties to the pledge and security agreement 13 gave a security interest. It wasn't excluded 14 collateral. And over time, primary 15 collateral would change, and that would be 16 reflected on the borrowing base. 17 Over time, the blanket lien also -- 18 that collateral also changed as assets as to 19 which an interest was granted, liens were 20 released with respect to that collateral, and 21 you had new assets being originated, coming 22 in, that if it was subject to the grant, it 23 would become new blanket lien collateral, and 24 then of course you had the "excluded assets" 25 definition, which at times that changed, as</p>

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<p>1 2 collateral subject to the excluded assets 3 could change as well. 4 Q. OK. 5 A. It was a complicated concept. 6 Q. Just one second, please. 7 So you just identified, I think, 8 three categories of assets: the primary 9 collateral, the blanket lien and the excluded 10 assets. Were there any other -- were there 11 any assets of ResCap that did not fall into 12 one of those three categories? 13 MR. ENGELHARDT: Objection to form 14 and object to the extent it calls for a 15 legal conclusion. 16 MR. HAMERMAN: Join in the 17 objection. 18 A. Yes. To the extent that there was 19 collateral that a security interest had not 20 been granted in that collateral under the 21 pledge and security agreement, and it was not 22 covered under the definition of "excluded 23 assets," those assets were not subject to the 24 blanket lien. 25 So that would be another category</p>	<p>1 2 of assets that's not definitionally -- 3 doesn't have a sound bite definition. 4 Q. OK. And can you give me an example 5 of an asset like that? 6 A. The South American and Central 7 American assets. 8 Q. OK. So was that -- is that because 9 the South American and Central American 10 entities who owned those South American and 11 Central American assets were not obligors or 12 guarantors under the revolver agreement? 13 MR. ENGELHARDT: Objection to form 14 and objection to the extent it calls for 15 a legal conclusion. 16 MR. HAMERMAN: Same. 17 A. To the extent that any party, 18 including some of the South and Central 19 American parties, were not parties to the 20 pledge and security agreement and providing 21 an assignment of a specific asset, that asset 22 would not be covered. 23 Q. OK. 24 A. And so the South and Central 25 American assets were not parties to this</p>
Page 52	Page 53
<p>1 2 agreement who gave a security interest in the 3 assets they owned. 4 Q. OK. Understood. 5 Let me clarify my question. Are 6 there assets owned by entity -- by ResCap 7 entities who were obligors, guarantors or 8 pledgors under the revolver agreement or 9 pledge and security agreement that do not 10 fall into the three categories of assets that 11 you identified, which are primary collateral, 12 assets subject to the blanket lien, or 13 excluded assets? 14 MR. ENGELHARDT: Objection to form 15 and to the extent it calls for a legal 16 conclusion. 17 MR. HAMERMAN: I join in that 18 objection. 19 A. It's possible. 20 Q. OK, it's possible. And how would 21 that -- what would the circumstances be that 22 would make that possible? 23 A. If you had a party giving a 24 security interest, for example, a FAS-B 25 grantor, or whatever that term is, they would</p>	<p>1 2 have just provided a security interest under 3 the document in those specific assets. There 4 are three different provisions here where 5 grantors are given an interest in specific 6 assets, specific delineated assets. 7 If that entity happened to own 8 assets beyond the assets which it gave the 9 interest in, that would be a circumstance in 10 which you would have an asset that a grantor 11 owned that would fall outside the blanket 12 lien. 13 Q. Understood, thank you. 14 Can you turn to page 7 of the 15 pledge and security agreement, please. I'm 16 going to ask the same question that I just 17 asked with respect to guarantors, borrowers 18 and pledgors in connection with the revolver 19 with respect to only the entities listed in 20 the title to Section 2. So that's borrowers, 21 guarantors and model home. 22 MR. ENGELHARDT: Objection to form. 23 I don't understand it. 24 MR. HAMERMAN: I don't understand 25 the question.</p>

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<p>1 2 MS. NEWMAN: Let me see if the 3 witness does. 4 MR. ENGELHARDT: There is not a 5 question on the record. 6 MS. NEWMAN: I said I'm going to 7 ask the same question with respect to -- 8 that I asked, but now I'm limiting it 9 with respect to these three entities. 10 MR. ENGELHARDT: Can you get on the 11 record what that question is so we have 12 clarity first? 13 MS. NEWMAN: I will, but first I 14 want to ask the witness another question. 15 Q. Which is, Ms. Farley, do you 16 understand what it is that I am trying to get 17 at with the question that I just attempted to 18 ask that your counsel is objecting to? 19 A. I'm not entirely sure. 20 Q. OK. 21 A. I would like a chance to look at 22 this. 23 Q. Sure. 24 A. And then if you could restate the 25 question, that would be great.</p>	<p>1 2 Q. Sure. Why don't you let me know 3 when you're ready. 4 A. OK. 5 Q. So my question is, could there be 6 assets owned by the borrowers, guarantors or 7 model home referenced in Section 2 that we 8 are looking at, that are not -- that do not 9 fall within one of the three categories that 10 you listed for me or that you identified for 11 me, which are primary collateral, collateral 12 subject to the blanket lien or excluded 13 assets? 14 MR. ENGELHARDT: Objection to form 15 and to the extent it calls for a legal 16 conclusion. 17 You can answer. 18 MR. HAMERMAN: Join in the 19 objection. 20 Q. Getting the hang of it? 21 A. Starting to. 22 Yes, I think there are assets that 23 could be in that fourth category. 24 Q. OK. And could you explain to me 25 what those assets would be?</p>
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<p>1 2 A. I can't think of any specific 3 examples, but it would be assets owned by one 4 of the borrowers or guarantors or model home, 5 I guess, that don't fit within one of these 6 delineated categories. 7 Q. OK. But sitting here today and 8 having just looked at, reading through the 9 definition, you can't think of an example of 10 what that asset might be; is that correct? 11 A. Correct. 12 MR. ENGELHARDT: Objection. 13 Q. Can you turn please to page 9. And 14 where it says in U, "to the extent not 15 included in the foregoing, all other personal 16 assets and property of any kind or 17 description, together with all books, 18 records, writings, databases, information and 19 other property relating to, used or useful in 20 connection with, or evidencing, embodying, 21 incorporating or referring to any of the 22 foregoing, all claims and/or insurance 23 proceeds arising out of the loss, 24 nonconformity or any interference with the 25 use of or any defect or infringement of</p>	<p>1 2 rights in or damage to any of the foregoing, 3 and all proceeds, products, offspring, rents, 4 issues, profits and returns of and from, and 5 all distributions on and rights arising out 6 of any of the foregoing, provided that 7 notwithstanding the foregoing, the collateral 8 described in this Section 2 shall not include 9 excluded assets." 10 I'm asking, can you think of any 11 asset that -- other than excluded assets, 12 that wouldn't be covered by this language? 13 MR. ENGELHARDT: Objection to form 14 to the extent it calls for a legal 15 conclusion and asked and answered. 16 MR. HAMERMAN: I join in the 17 objection. 18 A. This was a very broad grant, but I 19 do not know of any specific example. I 20 cannot speak to whether legally every asset 21 had been described here. I think it is 22 possible there are assets that didn't fit 23 within one of these categories that was owned 24 by the borrower, the grantor or model home 25 that wouldn't be covered, that also would not</p>

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<p>1 2 fit within the definition of "excluded 3 assets." 4 Q. OK. But again, you can't think of 5 an example? 6 MR. ENGELHARDT: Objection. 7 A. I cannot think of an example. 8 Q. OK. How was it determined what 9 assets would be defined as excluded assets 10 under the pledge and security agreement that 11 we are looking at? 12 A. At the time of the creation of the 13 agreement -- and as we said, there was a 14 delineation of the assets which were 15 included. In the delineation of these assets 16 as defined, we realized that there were 17 assets that basically if they were to be 18 pledged, it would create some significant 19 issues with respect to those assets or the 20 business of ResCap at that time. And it was 21 not in anyone's interest to basically 22 eliminate assets or to create those 23 significant economic problems. 24 Q. Were you involved in discussions 25 with Ally about the scope --</p>	<p>1 2 A. Yes. 3 Q. Let me finish my question. About 4 the scope of the excluded assets? 5 A. Yes. 6 Q. Were there any discussions that -- 7 with Ally in which it was discussed that 8 excluded assets would include assets other 9 than those which would cause significant 10 issues for the company if the company pledged 11 those assets? 12 MR. ENGELHARDT: Objection to form. 13 MR. HAMERMAN: Objection to form. 14 Q. To Ally? 15 MR. ENGELHARDT: Objection to form. 16 MR. HAMERMAN: Objection. 17 A. The "excluded asset" definition was 18 heavily discussed. 19 Q. OK. 20 A. And it was, you know -- it was 21 added in a way to over time, over the time of 22 the negotiations, as ResCap and Ally started 23 to understand what assets there were, that it 24 would be -- that needed to be included in 25 this "excluded asset" definition.</p>
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<p>1 2 And it was also understood that we 3 might not be able to identify all of those 4 assets at that time. This was happening 5 very, very quickly. And so there was -- we 6 tried to create a little bit of more general 7 language to catch things where if something 8 were discovered after the closing, that 9 basically the asset would lose value or we 10 would lose a line or there was a prohibition, 11 that that asset would fit within one of the 12 definitions. 13 Q. OK. Are you done with your answer? 14 A. I think so. 15 Q. OK, let me try to unpack that a 16 little bit. 17 You said, I'm going to paraphrase a 18 little bit here, that there was an 19 understanding that you might not be able to 20 identify all of those assets, and that's 21 actually -- that's a direct quote. So when 22 you were referring to identifying those 23 assets, were you talking about assets that 24 would lose value if they were pledged to Ally 25 or that might cause ResCap to lose funding or</p>	<p>1 2 for which there might be a prohibition on 3 pledging to Ally? 4 MR. ENGELHARDT: Objection to form. 5 MR. HAMERMAN: I join in the 6 objection. 7 A. Yes. And those are my terms, of 8 course, you know, in looking at the general 9 types of assets that we were including under 10 the "excluded asset" definition. We were 11 trying to identify specific assets, but we 12 knew we didn't necessarily know the universe 13 or certainly have the time to uncover things. 14 Q. Understood. 15 My question is, other than those 16 considerations, the potential loss of value, 17 loss of funding or prohibition on pledging 18 assets to Ally, were there any other 19 considerations that would have led to an 20 asset falling -- would have led to the 21 parties determining that an asset should be 22 deemed an excluded asset? 23 MR. ENGELHARDT: Objection to form. 24 MR. HAMERMAN: Join in the 25 objection.</p>

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<p>1</p> <p>2 A. The excluded asset category is</p> <p>3 generally a category that removes assets from</p> <p>4 the grant which was otherwise given, right?</p> <p>5 And I think as we have already said before,</p> <p>6 once -- if an asset wasn't included in that</p> <p>7 grant to start with, the "excluded asset"</p> <p>8 definition really wouldn't apply to assets</p> <p>9 not included in that grant.</p> <p>10 The "excluded asset" definition</p> <p>11 itself -- I'm sorry, I forgot the train of</p> <p>12 thought. Could you --</p> <p>13 Q. My question was, you named three</p> <p>14 considerations that the parties discussed in</p> <p>15 trying to formulate the definition of</p> <p>16 "excluded assets," and that those are loss of</p> <p>17 value, loss of funding or prohibition on</p> <p>18 pledging.</p> <p>19 A. Those are --</p> <p>20 Q. Correct?</p> <p>21 MR. ENGELHARDT: Objection to form.</p> <p>22 MR. HAMERMAN: Objection.</p> <p>23 A. Those are generally the -- those</p> <p>24 are generally the rationale that parties were</p> <p>25 OK with including them in the excluded</p>	<p>1 assets.</p> <p>2 Q. Right.</p> <p>3 A. I might have missed something that</p> <p>4 was in Ally or John's mind, but my</p> <p>5 recollection, those really were the reasons.</p> <p>6 Q. And my question is, essentially,</p> <p>7 were there any other reasons that you can</p> <p>8 think of that would have led an asset to</p> <p>9 be -- to fall within this "excluded asset"</p> <p>10 definition?</p> <p>11 MR. ENGELHARDT: Objection to form.</p> <p>12 MR. HAMERMAN: Objection.</p> <p>13 A. I can't think of any more at this</p> <p>14 time.</p> <p>15 Q. You also said something like you</p> <p>16 tried -- the parties tried to give themselves</p> <p>17 some flexibility based on the understanding</p> <p>18 that they probably were not going to be able</p> <p>19 to identify all of the assets that could</p> <p>20 potentially lead to loss of value, loss of</p> <p>21 funding or prohibition on pledging. Can you</p> <p>22 point me to the language in the definition of</p> <p>23 "excluded assets" that provides that</p> <p>24 flexibility?</p> <p>25</p>
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<p>1</p> <p>2 MR. ENGELHARDT: Objection to</p> <p>3 form --</p> <p>4 MR. HAMERMAN: Objection.</p> <p>5 MR. ENGELHARDT: -- and to the</p> <p>6 extent it calls for a legal conclusion.</p> <p>7 Q. If you know.</p> <p>8 A. Yeah. The way this came about was</p> <p>9 we at ResCap identified some of the assets</p> <p>10 that had challenges, right, like the Ginnie</p> <p>11 Mae, for example, or the bilat facilities,</p> <p>12 where there were clear prohibitions and</p> <p>13 certainly consequences if those prohibitions</p> <p>14 had been violated.</p> <p>15 As I recall -- and this may not be</p> <p>16 entirely accurate, but Ally would have liked</p> <p>17 to have seen a listing of exact assets that</p> <p>18 were removed. We could not do that. We were</p> <p>19 not comfortable doing that.</p> <p>20 And so when you look in the</p> <p>21 "excluded asset" definition, you look at A,</p> <p>22 "specific goods securing purchase money</p> <p>23 indebtedness or capital lease obligations</p> <p>24 existing as of the closing date," that's a</p> <p>25 general description of a category. It's not</p>	<p>1 specific assets that fall within that.</p> <p>2 Tax.</p> <p>3 You know the -- in B, you have got</p> <p>4 voting capital stock, you know, and there is</p> <p>5 "including without limitation."</p> <p>6 In C, again, it's "any asset</p> <p>7 including." So that's what I mean by</p> <p>8 "general language." It was an asset category</p> <p>9 that was described as opposed to the specific</p> <p>10 assets.</p> <p>11 Q. Understood.</p> <p>12 You mentioned that -- you said we</p> <p>13 identified some of the assets that had</p> <p>14 challenges, and you gave as an example the</p> <p>15 bilateral facilities. Can you explain to me</p> <p>16 what the challenges were on pledging assets</p> <p>17 that were pledged under bilateral facilities</p> <p>18 to Ally?</p> <p>19 MR. ENGELHARDT: Objection to form.</p> <p>20 A. As I recall, the bilateral</p> <p>21 facilities generally -- and one would have to</p> <p>22 look at each of the bilateral facilities</p> <p>23 specifically, prohibited the granting of</p> <p>24 additional liens on the assets which secured</p> <p>25</p>

those facilities.

Q. And what was Ally's response when ResCap notified it that the pledges -- excuse me, that the assets that were pledged to the bilateral facilities might not be able to be pledged to Ally?

MR. ENGELHARDT: Objection to form.

MR. HAMERMAN: I join in the objection.

A. They clearly weren't happy. There was a provision put into -- or I recall there was a provision put into the revolver of 2008 which required us to use reasonable efforts to go to the various bilateral counterparts and see if we could get that restriction lifted. And we did do that over the course of, you know, the required time frames, and that was a direct response by Ally.

Q. Can you please turn in the loan agreement to page 24, and read Section Q that's listed there, and that's in the -- that's in covenants. The heading of that section, the section that Q is in, is on page 21, just for your reference, if you want

to take a look.

A. OK.

Q. Is this the provision -- actually, let me point you to the language that I'm focused on, which is, it says -- the heading is "Structuring for Eligible Collateral Acquisition, Excluded Assets, non-UCC Assets," and then it goes on to say, "Such obligor will use commercially reasonable efforts to," and I'm skipping now to two, (ii). Do you see that?

A. Um-hm.

Q. That says, "cause any excluded assets, other than assets that were excluded assets pursuant to Clauses B, C, D, F or G of the definition thereof on the closing date, to become eligible for inclusion in the collateral."

Was there discussion with Ally on including the bilateral facilities in this provision?

MR. ENGELHARDT: Objection to form.

A. There was discussion with Ally about approaching the bilateral counterparts

to allow for a second or third or fourth, as the case may be, lien on the assets in their bilateral facilities, and that was done.

Q. OK. And what were the lenders to the bilat- -- what was the response of the lenders to the bilateral facilities to that request?

MR. ENGELHARDT: Objection to form.

A. "No."

Q. OK. And that was in advance of the execution -- those conversations took place in advance of the execution of the revolver?

A. No.

Q. No?

A. They did not.

Q. When did they take place?

A. They took place over the, probably, you know, three- to four-month period after the close of the revolver. We had discussed the time frames around that approach with Ally at the time the revolver was executed.

Q. OK. And you said then that you thought that there might have been something that related to this put into the amendment.

A. No.

MR. ENGELHARDT: Objection to form.

A. Sorry, no. I don't.

I should also add that there may have been conversations with the bilats at the time of the bond restructuring and closing by some of the other individuals within treasury working with those bilats as to allowing, and I don't think those were successful.

Q. OK.

A. But that is a shadowy recollection.

Q. OK. And when you say "allowing," you mean allowing a secondary or tertiary interest in the --

A. A second interest.

Q. A secondary interest in the assets securing the bilateral facilities; is that correct?

A. I mean liens behind the liens that they had -- that the bilateral facilities had.

Q. Understood.

I think you did say something, and

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<p>1 2 I'll draw an objection, and you can correct 3 me if I am incorrect, but I thought you said 4 something about talking to Ally about trying 5 to terminate the bilateral facilities. Did 6 you say something like that? No? 7 MR. ENGELHARDT: Objection to form. 8 A. No. 9 Q. All of it was about setting the 10 secondary -- trying to get the secondary 11 interest; is that correct? 12 MR. ENGELHARDT: Objection, 13 objection to form. 14 MR. HAMERMAN: Objection to form. 15 A. The conversations with Ally related 16 to being able to put liens behind the liens 17 they had. We all understood that the 18 bilateral facilities were critical to the 19 ongoing survival of ResCap, and that assets 20 would be added to those, we would probably 21 have new lines in place. 22 They had an interest obviously in 23 insuring -- in, in encouraging those 24 bilateral counterparts to allow for liens 25 behind it. But obviously, we were not in the</p>	<p>1 2 driver's seat, Ally was not in the driver's 3 seat. The party providing the money under 4 those bilats made that determination. 5 Q. If there had not been a restriction 6 under the bilateral facility to providing a 7 security interest to Ally in the assets 8 securing the bilateral facility, would ResCap 9 have granted the security interest to Ally? 10 MR. ENGELHARDT: Objection to 11 form -- 12 MR. HAMERMAN: Objection. 13 MR. ENGELHARDT: -- and to the 14 extent it calls for a legal conclusion. 15 A. To the extent that the assets on 16 the bilats fit within the grant of the assets 17 provided by the grantors, the answer would be 18 yes. 19 MS. NEWMAN: We are just about to 20 run out of tape. Why don't we take a 21 break, and then we can reconvene. 22 THE VIDEOGRAPHER: That is the end 23 of tape number 1. The time is now 24 11:07 a.m. We are now off the record. 25 (Recess)</p>
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<p>1 2 THE VIDEOGRAPHER: This is the 3 start of tape number 2. The time is now 4 11:20 a.m. We are now back on the 5 record. 6 (Exhibit 5, document Bates stamped 7 Note Trustee 0000001 through 139 marked 8 for identification, as of this date.) 9 BY MS. NEWMAN: 10 Q. OK. Ms. Farley, you have just been 11 handed what has been marked as Farley 12 Exhibit 5. Have you seen this document 13 before? 14 A. Yes, I have. 15 Q. And can you identify it for the 16 record for me, please. 17 A. This appears to be the offering 18 memorandum relating to the bond exchange from 19 May of 2008. 20 Q. OK. Do you know who drafted this 21 document? 22 A. I think the lawyers associated 23 probably with Ally, ResCap and the 24 bondholders drafted it. 25 Q. Did you review it while it was</p>	<p>1 2 being prepared? 3 A. No. 4 Q. Did you have any role in its 5 preparation at all? 6 A. No. 7 Q. Have you read it? 8 A. It was the first thing handed to me 9 when I walked in the door as a consultant. 10 So I read it at that time. 11 Q. Are you aware of any statements 12 that are not correct in the offering 13 memorandum? 14 MR. ENGELHARDT: Objection to form. 15 MR. HAMERMAN: Objection. 16 A. I've not read it since May of 2008, 17 except perhaps for individual sections to 18 refer to as we were operationalizing. So 19 while I'm not aware of anything, I cannot 20 answer yes or no. 21 Q. Well, you are not aware of any, but 22 I guess you're saying you can't say 23 definitively -- 24 A. I can't say definitively. 25 Q. -- whether there are or there are</p>

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<p>1 2 not; is that correct? 3 MR. ENGELHARDT: Objection to form. 4 A. I cannot say definitively. 5 Q. Can you please turn to page 2, 6 which is about this far back (indicating). 7 I'm looking at the first bullet and the last 8 sentence of the language in that bullet, 9 which is discussing the notes that would be 10 issued in connection with the exchange offer, 11 and it says, "The new notes would be secured 12 by a second or third priority lien on the 13 assets that would secure the proposed senior 14 secured credit facility with GMAC." 15 Is that a correct statement? 16 MR. ENGELHARDT: Objection to form 17 and to the extent it calls for a legal 18 conclusion. 19 MR. HAMERMAN: I join in that 20 objection. 21 A. Yes, I think that's a correct 22 statement. 23 Q. Was the collateral that was granted 24 to the JSNs identical in scope with the 25 collateral that was granted to AFI in</p>	<p>1 2 connection with the revolver agreement? 3 MR. ENGELHARDT: Objection to the 4 extent it calls for a legal conclusion. 5 MR. HAMERMAN: Same objection. 6 A. That is my understanding. 7 Q. Are there any exceptions to that? 8 MR. ENGELHARDT: Objection to the 9 extent it calls for a legal conclusion. 10 MR. HAMERMAN: Same. 11 A. No. Not to my knowledge. 12 Q. And did that remain true throughout 13 the life of the revolver? 14 MR. ENGELHARDT: Objection to the 15 extent it calls for a legal conclusion. 16 MR. HAMERMAN: I join in the 17 objection. 18 A. Yes. Our understanding was that 19 the JSNs had a second and third interest in 20 the collateral as to which Ally had a first 21 security interest. 22 Q. Also on page 2 of the offering 23 memorandum, in this second bullet, is a 24 statement relating to the revolver. And I am 25 reading the last sentence of this paragraph,</p>
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<p>1 2 which says, "Such facility," referring to the 3 revolver, "would be secured by a 4 first-priority lien, and substantially all of 5 our existing and after-acquired unencumbered 6 assets remaining available to be pledged as 7 collateral, as more fully described under 8 collateral for the proposed senior secured 9 credit facility and the new notes." 10 Is the language that appears before 11 the comma, which says, "Such facility would 12 be secured by a first-priority lien, and 13 substantially all of our existing and 14 after-acquired unencumbered assets remaining 15 available to be pledged as collateral," is 16 that consistent with your understanding of 17 the collateral that was pledged to AFI in 18 connection with the revolver? 19 MR. ENGELHARDT: Objection to form. 20 MR. HAMERMAN: Objection to form 21 and to the extent it calls for a legal 22 conclusion. 23 A. There is no question that the grant 24 was a very broad grant. And while it didn't 25 cover everything, it covered an awful lot.</p>	<p>1 2 And so I think that is consistent with this 3 statement. 4 MS. NEWMAN: Can we mark this as 6, 5 please. 6 (Exhibit 6, document Bates stamped 7 RCUCCJSN10831851 through 876 marked for 8 identification, as of this date.) 9 Q. All set? 10 A. A lot of e-mails here. 11 Q. Yes. 12 A. Not quite. 13 Q. Take your time. 14 A. OK. 15 Q. Can you turn back, please, to the 16 page that ends with 1874. It's, let's see, 17 three pages from the end. 18 Actually, before we do that, I want 19 to ask, do you remember sending and receiving 20 the e-mails that are reflected in this 21 exhibit? 22 MR. ENGELHARDT: Objection to form. 23 You can answer. 24 A. I don't. 25 Q. Do you have any reason to believe</p>

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<p>1 2 that you -- let me make sure you're on the 3 top one. I think you may not be on... 4 Who is Terry@redrocklake? 5 A. That's a home e-mail address for 6 myself. 7 Q. So it looks like the last e-mail 8 that you appear on is on the page that ends 9 with 1856. Do you see that? 10 A. I see on 1857 -- oh, there I am. 11 Yes, I see that. 12 Q. Do you have any reason to believe 13 that you did not send and receive the e-mails 14 that -- the bottom e-mail that appears on 15 1856 and those that appear below it in this 16 exhibit? 17 A. I have no reason to believe. 18 Q. OK. Now, can you please go back to 19 the page that ends in 1874. 20 Who is Matthew Rosen? 21 A. Matt Rosen, I believe he is an 22 analyst in ResCap's capital markets division. 23 Q. Mr. Rosen, in the bottom e-mail on 24 the page, is sending an e-mail to William 25 Tyson. Who is that?</p>	<p>1 2 A. Bill Tyson is an employee of ResCap 3 in the asset disposition group. 4 Q. Is he still -- is Mr. Tyson still 5 with ResCap? 6 A. Yes, he is. 7 Q. So Mr. Rosen says to Mr. Tyson that 8 "Mark Schaffer was about to send the loan 9 list to Randy Newman per Heather Anderson's 10 direction to bang against the facilities to 11 see which, if any, loans are pledged." 12 Do you know why that exercise that 13 he is describing was being undertaken? 14 MR. ENGELHARDT: Objection to form. 15 A. That exercise was undertaken every 16 time there was a sale. The business units 17 selling the assets, in this case it would 18 have been -- looks like charged-off 19 first-lien mortgage loans was sent to 20 treasury. Treasury would then take the list 21 of the assets being sold, and they would 22 compare it to the list of assets within the 23 CFDR to see if CFDR had it marked as being 24 pledged to any facility, and with that 25 knowledge, the pledges -- I am sorry, with</p>
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<p>1 2 that knowledge, treasury would then go about 3 the lien release process as required, and it 4 would perform all of the operational 5 activities necessary to update the records, 6 the reporting associated with those assets 7 and the facilities. 8 So this is a standard process. 9 Q. OK. What is this sale? This is a 10 sale of CO first liens; is that correct? 11 MR. ENGELHARDT: Objection to form. 12 A. According to the e-mails, the 13 subject line is "CO First Liens," so I would 14 assume that means charged-off first liens. 15 Q. And would you also assume that this 16 work was being done in connection with a sale 17 of charged-off first liens? 18 A. Yes. 19 MR. ENGELHARDT: Objection to form. 20 Q. And that's based on your 21 understanding of the way in which this 22 business works in the ordinary course; is 23 that correct? 24 A. That was common practice, yes. 25 Q. And what does "charged off" mean?</p>	<p>1 2 A. A loan is charged off typically 3 when there is no more value associated with 4 it. A good example would be if it is a 5 second lien defaulted, the value of the 6 property is in -- is not enough to cover even 7 the first lien, let alone the second lien. 8 So the asset then would be charged 9 off. There would be no more work done. It 10 would not be included in the accounting or 11 financial records any longer, because it had 12 zero value. 13 Q. So how do you sell a lien like 14 that? Or excuse me, a loan like that? 15 A. You sell it as you would sell 16 defaulted, unsecured credit card charge-offs. 17 There are a few purchasers out there who will 18 take assets like that for 3 to 5 cents on the 19 dollar, and if they get lucky and a borrower 20 will actually make a payment, you know, 21 that's what they are betting on. 22 This is a 2012 e-mail, so they were 23 clearly trying to sell charged-off loans. 24 Q. Was it ever the case over the 25 course of the time that the CFDR existed that</p>

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<p>1 2 a lien would be -- or excuse me, a loan would 3 be considered charged off and then for some 4 reason or another it would no longer be 5 categorized as charged off, meaning it would 6 be categorized as having value at a later 7 date? 8 MR. ENGELHARDT: Objection to form. 9 MR. HAMERMAN: Objection to form. 10 A. Are you speaking categorized within 11 the financial and accounting records as 12 having value? 13 Q. I'm referring to categorized in the 14 CFDR. 15 MR. ENGELHARDT: Same objection. 16 MR. HAMERMAN: Same objection. 17 A. Not to my knowledge. 18 Q. Is there -- would the answer be 19 different if I was asking categorized from -- 20 within the financial and accounting records? 21 MR. ENGELHARDT: Objection to form. 22 A. No. If something was changed in 23 the -- or re-added, if you will, to the 24 financial and accounting records, it would 25 show up on the general ledger. The general</p>	<p>1 2 ledger was uploaded to CFDR on a monthly 3 basis, and on a monthly basis, the businesses 4 also -- and there were a number of different 5 businesses -- would upload their entire asset 6 list, and then there was a process to insure 7 that the general ledger and the business 8 asset lists matched. 9 So no. If it was update -- updated 10 in a ledger, it would be updated in the CFDR. 11 Q. OK. 12 A. To my knowledge, charged-off loans 13 did not come back on the books as loans with 14 value. Possible there were some 15 circumstances, but I can't think of any. 16 Q. Why don't we take a step back. I 17 would like to ask how the CFDR worked in the 18 period initially after -- in the period after 19 the revolver was initially entered into to 20 track loans and what the CFDR actually did 21 track. 22 MR. ENGELHARDT: Objection to form, 23 just because I think there is two 24 questions in there, but -- 25 A. The CFDR was put in place at the</p>
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<p>1 2 time the revolver was put in place. This had 3 been, as I mentioned earlier, an initiative 4 that finance had wanted to do for quite some 5 time. It became important at the time of the 6 revolver, because the revolver, unlike any 7 other facility we had, was based on carry 8 value. And the various tools and places 9 within the businesses and the other areas 10 that treasury could go for data didn't have 11 carry value in an easy way. We had to go to 12 the ledger for that. 13 So CFDR was put in place with 14 the -- to basically report on loans, 15 servicing advances. They were both on 16 initially, and then the other assets relating 17 to the revolver were added very quickly 18 thereafter. 19 On a monthly basis, the business 20 units would upload their asset -- their total 21 asset lists, so we would have -- and there 22 would be a -- you know, the checks and 23 balances that usually took place associated 24 with that. 25 On a monthly basis, the treasury</p>	<p>1 2 group would, you know, go through the process 3 with finance of the monthly reporting. And 4 we would pull down the data from the CFDR, 5 and the financial teams had prepared, these 6 would also pull down the data from the CFDR, 7 and we would come up with an updated 8 borrowing base based on the assets and the 9 values in the CFDR for the assets marked as 10 primary collateral at that time. 11 We would then sit down with 12 finance, and early on it was -- it was 13 myself, Melissa White, who ran the group, the 14 head of the ops groups or head of the ops 15 team within the treasury group, and then a 16 couple of individuals from finance, and we 17 would compare the last month's borrowing base 18 with primary collateral to this month's 19 borrowing base with primary collateral, and 20 we would like to see what the differences 21 are. 22 Over the course of the month, 23 actions happened, of course, with respect to 24 the loans. Not just, you know, a carry value 25 change perhaps, because UPBs came in,</p>

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<p>1 2 prepayments came in, markets may have 3 changed, because "carry value" was a 4 financial concept, and there was -- there 5 were markings of the loans to the extent 6 required under FAS-B and in the financial 7 practices. 8 But over the course of the month, 9 if there had been a sale of assets, the 10 business units would have uploaded a template 11 with respect to the loans that were being 12 sold. Structured finance and ops within 13 treasury were also aware of that. You know, 14 so we were usually watching for that. 15 But that would have been uploaded. 16 At the time the template was uploaded, CFDR, 17 which is an Oracle database, would have 18 updated the files of all these individual 19 assets with respect to the sale, and CFDR 20 would have marked it as a sale, and we would 21 expect that those assets would have come off 22 for the purposes of the next month report. 23 We also used that information to 24 track where the sales proceeds were going and 25 insure that the proceeds were going to the</p>	<p>1 2 appropriate accounts within the appropriate 3 time frames. 4 If there were loans added to the 5 facility, we would identify the loans that 6 were added to the facility. That included 7 the work we needed to do with GMAC and the 8 different groups. We would send -- within 9 the treasury group, we would send a listing 10 off to the business units, so they knew what 11 assets were now subject to the various 12 facilities, that was revolver, but that could 13 also be other funding facilities. 14 And we within treasury would upload 15 a template to indicate and update CFDR as it 16 related to those assets. Those templates 17 basically triggered an automatic update, so 18 that again, any loans which were added to the 19 revolver or another facility would be 20 reflected in the CFDR as of the time the 21 template was uploaded. 22 There was also on a monthly basis a 23 file called a POCO, paid-off/charge-offs. So 24 as loans over the course of the month were 25 paid off or charged off, obviously they were</p>
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<p>1 2 removed. They had no value for the 3 charge-offs, but payoffs, we had received 4 payment in full, those templates were also 5 uploaded to CFDR, and that would have also 6 gone -- all this would also eventually flow 7 through the ledger as well. 8 And so those assets, again, would 9 be updated within the CFDR as having no 10 value, and they would come off the CFDR at 11 that point. 12 So as we sat down every month to 13 look at the current borrowing base facility 14 as it related to primary collateral, because 15 that's all we were required to report on, we 16 would compare what we reported last month to 17 what we were reporting this month, and we 18 would go through all of the actions that had 19 happened with respect to the assets on the 20 facility to make sure it tied out. 21 So that the numbers at the end -- 22 the new numbers, you could look and say this 23 much was POCO and it was these assets, this 24 much was charge-off, this was -- you know, in 25 terms that is POCO. This much was</p>	<p>1 2 reinvested, this much was sold. 3 And so every single month we had a 4 tie-out. If for some reason there was -- 5 there were some glitches, because, you know, 6 things happen, particularly early on in the 7 development, as a matter of practice, we 8 would discover what the issue was, reconcile 9 it. We would go back to the businesses where 10 we saw the issue and we would resolve it. 11 And so by the time the reports -- 12 typically by the time we sat down, the issues 13 had all been identified and resolved. At the 14 time -- if not, at the time we sat down, the 15 issues were identified, and then they were 16 quickly resolved, because obviously we had 17 borrowing base reports that had to go out and 18 had to be correct. 19 Q. I want to make sure that I 20 understand what assets were listed in the 21 CFDR. So I think you said -- well, let me 22 ask you, loans were reflected in the CFDR; is 23 that correct? 24 A. Yes. 25 Q. And servicing advances were also</p>

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<p>1 2 tracked; is that correct? 3 A. Yes. 4 Q. What the company refers to as real 5 estate owned was also -- or REO, was also 6 tracked; is that correct? 7 A. Yes. 8 Q. OK. And what is that, REO? 9 A. REO is -- it is the changing of an 10 asset form, if you will. REOs are real 11 estate owned. It is basically when a loan 12 goes into foreclosure, at the time of a 13 foreclosure, the loan is extinguished and you 14 get the property back, typically. 15 So REO is what the loan becomes 16 after it has gone through foreclosure, to the 17 extent it has not been sold to a third party. 18 Q. OK. So if I was going -- so when 19 you see "REO" in the CFDR, is it the case 20 that that REO at some point was reflected as 21 a loan in the CFDR? 22 A. That REO is the property that 23 secured a loan in the CFDR. 24 Q. So would you see -- if you were 25 tracking, if you went historically and looked</p>	<p>1 2 at the REO, as it had been reported in prior 3 months, eventually would you get to a place 4 where it was a loan? 5 MR. ENGELHARDT: Objection to form. 6 Q. Where it was reflected as a loan, 7 or would it always be REO? 8 A. No. You should be able to go to 9 historical records and find the loan to which 10 that REO related. And you should be able to 11 find that. 12 Now, please understand, there are 13 businesses of REO, right, buying and selling 14 of REO. ResCap was not in that business, but 15 it's possible somebody bought some asset at 16 some point. 17 Q. OK. So that would be an exception 18 to the general rule -- 19 A. And those were not pledged on as 20 primary collateral on the revolver. 21 Q. OK. Other than loans, servicing 22 advances and REO, what other types of assets 23 were tracked in the CFDR? 24 A. All of the assets on the revolver, 25 and then when the LOC was put in place, all</p>
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<p>1 2 of those assets were in the CFDR. 3 Q. The CFDR didn't track cash, did it? 4 MR. ENGELHARDT: Objection to form. 5 A. At some point, and I think it was 6 relatively early on, cash in the sale 7 proceeds or restricted accounts was tracked 8 through CFDR. Other cash accounts were not. 9 Q. So it's not -- there are -- it's 10 not the case that all assets that were 11 pledged under the revolver were reflected in 12 the CFDR, is it? 13 MR. ENGELHARDT: Objection to the 14 form and to the extent it calls for a 15 legal conclusion. 16 A. My understanding, that all of the 17 assets, including the cash that was sale 18 proceeds accounts, so therefore kind of 19 primary collateral, and cash to which Ally 20 was entitled, those were tracked in the CFDR. 21 Q. And how would that be listed? How 22 would I locate that if I was looking for cash 23 in the CFDR? 24 A. I think it's called cash. 25 Q. OK. How was it reflected in the</p>	<p>1 2 CFDR which facility an asset was pledged to? 3 A. In the underlying data, there was a 4 code for the facility, be it revolver, be it 5 LOC, be it Lehman, and if it didn't -- was 6 not pledged to a facility, it would be 7 unpledged, and in the reporting that was 8 created to come out of the revolver, by 9 asset, you could go by asset grouping or you 10 could go into the individual asset, and it 11 would show what facility that belonged to. 12 And you could group assets by facility or you 13 could group by assets. 14 Q. And what did it mean if an asset 15 was categorized as unpledged? 16 MR. ENGELHARDT: Objection to form. 17 A. It simply meant that it was not 18 pledged as primary collateral to the revolver 19 or pledged on any other facility. 20 Q. So does the unpledged category mean 21 that those assets, those assets listed in the 22 unpledged category fell under the blanket 23 lien for the revolver? 24 MR. ENGELHARDT: Objection to form 25 and to the extent it calls for a legal</p>

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<p>1 2 conclusion. 3 MR. HAMERMAN: I join in the 4 objection. 5 A. No. 6 Q. Did the assets that were listed as 7 unpledged fall under the blanket revolver? 8 MR. ENGELHARDT: Objection to form 9 and to the extent it calls for a legal 10 conclusion. 11 MR. HAMERMAN: Join in the 12 objection. 13 A. Now I have forgotten the question. 14 Can you restate? 15 Q. Yes. 16 Did the assets in the unpledged 17 category fall under the blanket lien? 18 MR. ENGELHARDT: Same objection. 19 Q. In connection with the revolver? 20 MR. ENGELHARDT: Same objection. 21 MR. HAMERMAN: Same. And I think 22 we also need a time frame. 23 Q. I am sorry, this whole line of 24 questioning, as I said at the outset, is the 25 period after the execution of the revolver.</p>	<p>1 2 But I think that's good to remind you. 3 A. Can you restate that one more time. 4 I'm sorry. I'm bouncing. 5 Q. Sure. 6 Did the assets in the unpledged 7 category fall under the blanket lien? 8 MR. ENGELHARDT: Repeat the 9 objection. 10 MR. HAMERMAN: Same. 11 A. To the extent that those assets 12 were pledged under the pledge and security 13 agreement and weren't excluded assets and 14 weren't subject to a lien release, yes. 15 Q. OK. If the assets were subject to 16 a lien release, would that be reflected in 17 the CFDR? 18 A. To the extent the assets were 19 subject to a lien release, no. 20 Q. No, it would not be reflected in 21 the CFDR? 22 A. It would not be reflected as being 23 subject to a lien release from the revolver 24 in the CFDR. 25 Q. Were assets released from the</p>
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<p>1 2 revolver -- let me ask you this. Why were -- 3 why would assets be released from the 4 revolver? 5 A. Assets would be released from the 6 revolver for a sale, and assets would be 7 released from the revolver to go on to 8 another bilateral facility. 9 Q. Any other reasons? 10 A. I can't think of one. 11 Q. OK. So if an asset was released 12 for a sale, that -- I think you said before, 13 that the sale would be reflected in the CFDR, 14 you would be able -- what I mean by that is 15 you would be able to tell by looking at the 16 CFDR that the asset had been sold; is that 17 correct? 18 A. That's correct. That's correct. 19 The asset would no longer be reflected in the 20 CFDR after it had been sold. 21 Q. OK. And if an asset had -- if the 22 lien in an asset had been released so that 23 the asset could be pledged to another 24 facility, wouldn't you also be able to tell 25 that by looking at the CFDR?</p>	<p>1 2 A. You would -- 3 MR. ENGELHARDT: Objection to form. 4 MR. HAMERMAN: Objection. 5 Q. Well, actually, you know what? 6 Strike that. Let me restate the question. 7 If the asset -- if AFI's lien in an 8 asset had been released so that the lien 9 could be pledged to another facility, 10 wouldn't you see when looking at the CFDR 11 that the asset was recorded as being pledged 12 to another facility? 13 MR. ENGELHARDT: Objection to form. 14 MR. HAMERMAN: Objection. 15 A. Yes. The CFDR would have been 16 updated to reflect the new facility. The 17 historical records, because there is -- there 18 is history kept, would reflect that it had 19 previously been on the revolver. But you 20 would have to go back into history. 21 Q. OK. So if an asset was categorized 22 as unpledged, that meant that it was not 23 pledged to a facility other than the 24 revolver, didn't it? 25 MR. ENGELHARDT: Objection to form</p>

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<p>1 2 and to the extent it calls for a legal 3 conclusion. 4 MR. HAMERMAN: I join in that 5 objection. 6 A. No. Any asset that was subject to 7 a facility, including assets which were 8 primary collateral on the revolver, were 9 reflected as belonging -- or not belonging, 10 being financed or subject to that particular 11 facility. So you would see revolver, LOC, 12 Lehman, GSAP. If it was unpledged, it simply 13 meant that it was not pledged to a financing 14 facility. 15 Q. Other than potentially the 16 revolver, correct? 17 MR. ENGELHARDT: Objection to form 18 and to the extent it calls for a legal 19 conclusion. 20 MR. HAMERMAN: Join in the 21 objection. 22 A. "Unpledged" was not synonomous with 23 "blanket lien." The unpledged assets could 24 be subject to the blanket lien. They might 25 not be subject to the blanket lien.</p>	<p>1 2 Q. Right. 3 A. So -- 4 Q. Understood. I'm sorry, I didn't 5 mean to cut you off. But that was the point 6 of my clarification, because you said, you 7 said -- you said if it was unpledged, it 8 simply meant that it was not pledged to a 9 financing facility. And I think that there 10 is a distinction that you failed to draw, 11 which is except that it may be pledged to the 12 revolver; isn't that correct? 13 MR. ENGELHARDT: Objection to form 14 and to the extent it calls for a legal 15 conclusion. 16 MR. HAMERMAN: Join in the 17 objection. 18 A. We might be talking semantics here. 19 Q. OK. 20 A. Because pledged to the revolver is 21 primary collateral. The blanket lien is also 22 a pledge to the revolver. So if it was 23 primary collateral, it would have been 24 reflected as being pledged to the revolver. 25 If it was called unpledged, it may or may not</p>
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<p>1 2 have been subject to the blanket lien. That 3 was not captured in CFDR. 4 Q. And I think we have established 5 that it also meant that it was not pledged to 6 any financing facility other than the 7 revolver, because if it had been, the CFDR 8 would have noted it; isn't that correct? 9 MR. ENGELHARDT: Objection to form 10 and to the extent it calls for a legal 11 conclusion. 12 MR. HAMERMAN: Join in the 13 objection. 14 A. That's correct, but it may or may 15 not have been subject to the lien of the 16 revolver. 17 Q. OK. And I think you also said that 18 if it had been sold, that if the asset had 19 been sold, then it wouldn't have been 20 reflected in the CFDR any longer; is that 21 correct? 22 MR. ENGELHARDT: Objection to form. 23 A. After the updating of the CFDR, it 24 would have been no longer reflected in the 25 CFDR.</p>	<p>1 2 Q. OK. And -- 3 A. Or the ledger. 4 Q. So I think the only thing that's 5 left is if the asset was unpledged, it was 6 either pledged to no facility or pledged to 7 the -- pledged under the blanket lien; is 8 that correct? 9 MR. ENGELHARDT: Objection to form 10 and to the extent it calls for a legal 11 conclusion. 12 A. Not exactly. It was -- it could 13 have been pledged to no facility, it could 14 have been pledged to the blanket lien, and it 15 could have been no facility and no blanket 16 lien. Are we saying the same thing? 17 Q. Yes. I understand what you are 18 saying. It could have been pledged to no 19 facility and not included within the blanket 20 lien, or it could have been included within 21 the blanket lien? 22 MR. ENGELHARDT: Objection to the 23 extent it calls for a legal conclusion. 24 Q. Is that correct? 25 A. Yes.</p>

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<p>1 2 Q. And those are really the only two 3 options; isn't that correct? 4 MR. ENGELHARDT: Objection. 5 MR. HAMERMAN: Join in the 6 objection. 7 A. No facility -- 8 Q. Including the blanket lien? 9 A. Including the blanket lien. 10 Subject to the blanket, subject to the 11 blanket lien. Let me think. I think that's 12 right. I just want to make it clear that 13 just because it was labeled unpledged didn't 14 mean it was subject to the blanket lien. 15 Q. OK. I understand that. 16 But you and I had discussed earlier 17 this morning that at least with respect to 18 the borrowers and guarantors listed in 19 Section 2 of the pledge and security 20 agreement relating to the revolver, that you 21 could not think of an example of an asset 22 that wouldn't either be an excluded asset, 23 primary collateral or pledged to the blanket 24 lien. Do you remember that discussion? 25 MR. ENGELHARDT: Objection to form.</p>	<p>1 2 MR. HAMERMAN: Objection. 3 A. I remember the discussion. I 4 remember saying that I thought it was 5 possible there were assets, but I couldn't 6 think of any asset types. And that was at 7 the inception of the revolver. 8 But going forward, if liens had 9 been released from the revolver to go on to 10 another bilat and -- the lien release was a 11 broad lien release, and so when the liens -- 12 if the bilat terminated or the loan came off 13 the bilateral agreement, that would be an 14 example on a go-forward basis where a loan or 15 an asset would not be subject to the blanket 16 lien because there had already been a release 17 of that asset. 18 Q. OK. Let's -- did you have any 19 discussions with Ally about what would 20 happen -- whether -- strike that. 21 Did you have any discussions with 22 Ally about whether a loan that was pledged to 23 a bilateral facility would be subject to the 24 blanket lien or become primary collateral 25 once that bilateral facility terminated or</p>
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<p>1 2 the lien, the loan was released from the 3 bilateral facility? 4 MR. ENGELHARDT: Objection to form. 5 MR. BROWN: Objection to form. 6 A. I don't recall. 7 Q. Do you have any understanding of 8 what Ally's expectation was with respect to 9 such loans? 10 MR. ENGELHARDT: Objection to form. 11 MR. HAMERMAN: Objection to form. 12 A. I do not. 13 Q. OK. I think you testified earlier 14 that Ally was unhappy when it was told that 15 it could not obtain a lien in the assets 16 pledged to the bilateral facility. Is that 17 correct? 18 A. That's correct. 19 MR. BROWN: Objection to form. 20 MR. HAMERMAN: Objection. 21 Q. And that -- and you also told me 22 that the only reason that Ally was not 23 obtaining a lien in those assets was because 24 it was -- because ResCap could not grant such 25 a lien to Ally without putting at risk the</p>	<p>1 2 bilateral facility to which that loan was 3 pledged; is that correct? 4 MR. ENGELHARDT: Objection to form. 5 MR. HAMERMAN: Objection to form. 6 MR. BROWN: Objection. 7 A. Mostly. I think what I also said 8 was, one, if that asset was of a type that 9 was from -- that the grantor had granted an 10 interest in. 11 And the second point I would make 12 is, just because Ally wasn't happy didn't 13 mean they had or thought they had a legal 14 right to those assets, even after the lien 15 would have been released, unless it was 16 otherwise described in the documents. 17 Q. OK. But isn't a loan described in 18 the documents as an asset in which Ally was 19 taking a lien? 20 MR. ENGELHARDT: Objection to form. 21 MR. HAMERMAN: Objection. 22 A. If it was -- if it was owned by one 23 of the grantors and it wasn't otherwise 24 excluded, it had a lien on it, unless and 25 until that lien was released.</p>

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<p>1</p> <p>2 Q. OK. So in the situation where at</p> <p>3 the inception of the revolver agreement, a</p> <p>4 lien -- a loan was subject to a bilateral</p> <p>5 facility, and then that bilateral facility</p> <p>6 terminated, what happened to the loan that</p> <p>7 had been subject to the bilateral facility?</p> <p>8 Did it become part of Ally's collateral?</p> <p>9 MR. ENGELHARDT: Objection to form</p> <p>10 and to the extent it calls for a legal</p> <p>11 conclusion.</p> <p>12 MR. HAMERMAN: I join in the</p> <p>13 objection.</p> <p>14 A. Once a bilateral was terminated, if</p> <p>15 the assets and loans, as you say, were an</p> <p>16 asset that was -- an interest was granted in</p> <p>17 under the security agreement by some of the</p> <p>18 grantors, if the grantor owned that loan and</p> <p>19 it had not been released to go on the bilat,</p> <p>20 if it came off the bilat and fit within the</p> <p>21 grant, then there was a lien on it.</p> <p>22 If it had been released to go on</p> <p>23 the bilat, then there would have been a</p> <p>24 release of that asset, and that lien release</p> <p>25 was very broad in perspective.</p>	<p>1</p> <p>2 Q. Let me ask you something else.</p> <p>3 Let's go back and look at the pledge and</p> <p>4 security agreement that we were looking at</p> <p>5 before. I think it's 4.</p> <p>6 MR. ENGELHARDT: 3.</p> <p>7 Q. 3. And let's go back to Section 2.</p> <p>8 And I'm on page 7. And I'm looking at the</p> <p>9 language -- well, please read, actually, the</p> <p>10 paragraph that comes after 2 but before the</p> <p>11 little A, and then I'm going to focus on some</p> <p>12 specific language in that paragraph.</p> <p>13 A. OK.</p> <p>14 OK.</p> <p>15 Q. So I am focused on the language at</p> <p>16 the end of the paragraph that says -- well,</p> <p>17 actually, let me try to put this --</p> <p>18 selectively quote, so I can get across the</p> <p>19 question I'm trying to ask.</p> <p>20 The paragraph begins, "As security</p> <p>21 for the prompt payment in full in cash and</p> <p>22 performance of all obligations, each of the</p> <p>23 borrowers and guarantors and model home and</p> <p>24 each other grantor (other than a grantor that</p> <p>25 is an equity pledgor, a FABS grantor or an</p>
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<p>1</p> <p>2 additional account pledgor), hereby pledges</p> <p>3 to the first-priority collateral agent for</p> <p>4 the benefit of the lender parties and hereby</p> <p>5 grants a continuing" -- I guess I am just</p> <p>6 going to read the whole thing -- "and hereby</p> <p>7 grants a continuing security interest to the</p> <p>8 first-priority collateral agent for the</p> <p>9 benefit of the lender parties in all of each</p> <p>10 such borrower's or guarantor's or model</p> <p>11 home's or any such grantor's right, title and</p> <p>12 interest in, to and under," and here is the</p> <p>13 focus -- the language I was particularly</p> <p>14 focused on, "whether now or hereafter</p> <p>15 existing, owned or acquired, and wherever</p> <p>16 located and howsoever created, arising or</p> <p>17 evidenced."</p> <p>18 Was your business understanding of</p> <p>19 this -- of this language that if a loan was</p> <p>20 released but then subsequently -- excuse me,</p> <p>21 let me ask this a little more carefully --</p> <p>22 that if a loan subject to Ally's security</p> <p>23 interests was released from that security</p> <p>24 interest, pledged to another entity, and then</p> <p>25 the pledge was terminated to the other</p>	<p>1</p> <p>2 entity, that this language is not broad</p> <p>3 enough to then grant Ally a new lien in that</p> <p>4 asset?</p> <p>5 MR. ENGELHARDT: Objection to form</p> <p>6 and to the extent it calls for a legal</p> <p>7 conclusion.</p> <p>8 MR. HAMERMAN: I join.</p> <p>9 A. To really answer that question, you</p> <p>10 would have to look at the language in the</p> <p>11 UCCs and the lien releases that were</p> <p>12 generally filed. But our understanding, as</p> <p>13 those releases were always very broad and</p> <p>14 forward looking, is that the lien release was</p> <p>15 good, going forward. If a loan was released</p> <p>16 to go on a bilat, that bilat was no longer in</p> <p>17 existence, the loan would come off the bilat,</p> <p>18 but the lien would not then reattach. It had</p> <p>19 already been released.</p> <p>20 Q. OK. And was that always your</p> <p>21 understanding since the inception of the</p> <p>22 revolver?</p> <p>23 A. Yes. We had conversations, I had</p> <p>24 conversations with our internal and external</p> <p>25 counsel around --</p>

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<p>1</p> <p>2 MR. ENGELHARDT: Don't, don't,</p> <p>3 don't state the substance of your</p> <p>4 conversations with counsel.</p> <p>5 Q. And I am going to ask a similar</p> <p>6 question but with a bit of a twist, which is</p> <p>7 what about a lien -- a loan that was</p> <p>8 originally pledged to AFI, that the AFI's</p> <p>9 lien was released so that the loan could be</p> <p>10 sold to a third party, and then that loan was</p> <p>11 subsequently reacquired by one of the</p> <p>12 guarantors, borrowers, or grantors, as it is</p> <p>13 defined in this Section 2 here? Was your</p> <p>14 understanding -- what was your understanding</p> <p>15 as to whether -- excuse me, Ally's lien --</p> <p>16 Ally would have a lien in the asset once it</p> <p>17 was reacquired by ResCap?</p> <p>18 MR. ENGELHARDT: Objection to form.</p> <p>19 MR. HAMERMAN: Join in the</p> <p>20 objection.</p> <p>21 A. If the --</p> <p>22 MR. HAMERMAN: And to the extent it</p> <p>23 calls for a legal conclusion.</p> <p>24 A. If the loan fit within the grant,</p> <p>25 which I think you're describing it is fitting</p>	<p>1</p> <p>2 within the grant and not being an excluded</p> <p>3 asset, that was a new legal ownership, and</p> <p>4 yes, the lien would reattach to assets that</p> <p>5 were acquired even if it was a reacquisition.</p> <p>6 Q. And the lien that you're talking</p> <p>7 about that would reattach would be Ally's</p> <p>8 lien; is that correct?</p> <p>9 MR. ENGELHARDT: Objection to form</p> <p>10 and to the extent it calls for a legal</p> <p>11 conclusion.</p> <p>12 MR. HAMERMAN: Same.</p> <p>13 A. It would be Ally and the JSNs'</p> <p>14 liens, yes.</p> <p>15 MS. NEWMAN: Can we just take a</p> <p>16 five-minute break?</p> <p>17 MR. ENGELHARDT: Sure.</p> <p>18 THE VIDEOGRAPHER: The time is now</p> <p>19 12:14 p.m. We are now off the record.</p> <p>20 (Recess)</p> <p>21 THE VIDEOGRAPHER: This is the</p> <p>22 start of tape number 3. The time is now</p> <p>23 1:12 p.m. You are now back on the</p> <p>24 record.</p> <p>25 BY MS. NEWMAN:</p>
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<p>1</p> <p>2 Q. Ms. Farley, before we broke for</p> <p>3 lunch, I was asking you a series of questions</p> <p>4 about whether certain assets would or would</p> <p>5 not be subject to Ally's lien in connection</p> <p>6 with the revolver.</p> <p>7 Now, did you understand when I was</p> <p>8 asking those questions that I was asking your</p> <p>9 opinion based on your experience as a</p> <p>10 business person who was involved in the</p> <p>11 negotiation of the pledge and security</p> <p>12 agreement relating to the revolver?</p> <p>13 A. Yes.</p> <p>14 MR. ENGELHARDT: Objection to form.</p> <p>15 A. Yes.</p> <p>16 Q. Is that how you answered the</p> <p>17 questions, based on that understanding?</p> <p>18 A. Yes.</p> <p>19 Q. Thank you.</p> <p>20 MS. NEWMAN: This is going to be 7</p> <p>21 and 8.</p> <p>22 (Exhibit 7, document Bates stamped</p> <p>23 RCUCCJSN 11712385 through 90 marked for</p> <p>24 identification, as of this date.)</p> <p>25 (Exhibit 8, document Bates stamped</p>	<p>1</p> <p>2 RCUCCJSN 11864412 through 20 marked for</p> <p>3 identification, as of this date.)</p> <p>4 A. I should clarify that, negotiating</p> <p>5 and implementing the revolver.</p> <p>6 Q. Negotiating and implementing the</p> <p>7 revolver, I am sorry?</p> <p>8 A. How I was answering the questions,</p> <p>9 someone who was involved with negotiating and</p> <p>10 implementing the revolver.</p> <p>11 Q. Thank you for the clarification.</p> <p>12 MR. ENGELHARDT: Counsel, which is</p> <p>13 which?</p> <p>14 MS. NEWMAN: The one with the Bates</p> <p>15 number ending in 12385 is Farley</p> <p>16 Exhibit 7. Bates Number 64412 is Farley</p> <p>17 Number 8.</p> <p>18 MR. ENGELHARDT: Thank you.</p> <p>19 Q. Ms. Farley, you have been handed</p> <p>20 what has been marked as Farley Exhibits 7 and</p> <p>21 8. If you could take a minute to familiarize</p> <p>22 yourself with the e-mail chain. I will give</p> <p>23 you time to take a more detailed look if I am</p> <p>24 going to ask you a specific question.</p> <p>25 A. OK.</p>

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<p>1 2 Q. All set? 3 A. I am set. 4 Q. So I will start with the one that's 5 marked Farley Exhibit 7. And you are on the 6 e-mail at the top of the first page, and do 7 you remember sending and receiving the 8 e-mails that are reflected in this chain? 9 A. No. 10 Q. Do you have any reason to doubt 11 that you did send and receive them as 12 reflected on the page? 13 A. I have no reason to doubt that. 14 Q. Or let me -- as reflected on the 15 pages. Is it the same answer? 16 A. Same answer. 17 Q. And with respect to Farley 18 Exhibit 8, which is another e-mail chain, and 19 you are the sender of the e-mail at the top 20 of the chain, do you remember sending and 21 receiving the e-mails that are reflected in 22 this e-mail chain? 23 A. No. 24 Q. Do you have any reason to doubt 25 that you did not send and receive them as is</p>	<p>1 2 reflected in the e-mails? 3 A. I have no reason to doubt. 4 Q. Ms. Farley, at some point in 5 time -- strike that. 6 Did there come a time when ResCap 7 began changing the way assets coded as 8 unpledged in the CFDR were categorized? 9 MR. ENGELHARDT: Objection to form. 10 A. The unpledged assets, shortly 11 before the filing, were marked blanket lien 12 if they were subject to the blanket lien, and 13 remained unpledged if they were not subject 14 to the blanket lien. 15 Q. And who made the -- how -- I 16 apologize, let me take this in pieces. 17 How was the determination of 18 whether an asset categorized as unpledged 19 should be recategorized as blanket lien or 20 should remain unpledged? 21 MR. ENGELHARDT: Objection to form. 22 You can answer. 23 A. I was not involved in those 24 conversations or those decisions. My 25 understanding of the way this worked was that</p>
Page 116	Page 117
<p>1 2 the people marking the assets generally 3 marked loans as belonging to the blanket lien 4 and servicing advances as belonging to the 5 blanket lien without independent 6 investigation as to whether that was the 7 case. They would have had to go back into 8 the historical archives. 9 With respect to the other assets, 10 my understanding is there was more of a 11 diligence done with respect to those assets 12 and then they were marked. 13 There was some back and forth, as 14 there were a lot of people involved, to 15 insure the markings were correct, as I recall 16 it. But ultimately everything was marked in 17 the system. 18 Q. OK. And why -- do you have an 19 understanding -- well, strike that. 20 I think you testified that with 21 respect to loans and servicing advances, 22 those were recategorized as blanket without 23 any independent verification; is that 24 correct? 25 A. That is my understanding.</p>	<p>1 2 Q. And do you have an understanding as 3 to why it was done in that way? 4 A. No. 5 Q. Assuming that your understanding is 6 correct? 7 A. No. 8 Q. How did you come to gain that 9 understanding? 10 A. Through conversations with Barb 11 Westman. I can speculate, but I don't know. 12 Q. OK. There was -- is it correct 13 that you are testifying that there was 14 diligence performed around whether assets, 15 other than loans and servicing advances, 16 marked as unpledged should continue to remain 17 marked as unpledged or should be converted to 18 be listed as blanket lien? 19 MR. ENGELHARDT: Objection to form. 20 A. That is my understanding. 21 Q. And did you also gain that 22 understanding from Barb Westman? 23 A. Yes. 24 Q. Other than Barb Westman, who was 25 involved in this process?</p>

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<p>1</p> <p>2 A. To my knowledge, Joe Ruhlin may</p> <p>3 have been a bit involved. Randy Newman may</p> <p>4 have been a bit involved. I suspect there</p> <p>5 were other individuals, largely within</p> <p>6 finance and treasury, who may or may not have</p> <p>7 had history with the revolver, involved.</p> <p>8 Q. OK. Can you turn back to Farley 7,</p> <p>9 please. Do you have it there right in front</p> <p>10 of you?</p> <p>11 A. I do.</p> <p>12 Q. Great.</p> <p>13 I'm looking at the e-mail at the</p> <p>14 top, and you say, "Just remember, any U.S.</p> <p>15 loan that is owned by ResCap family and that</p> <p>16 is not GNMA" -- does that mean Ginnie Mae?</p> <p>17 A. Um-hm.</p> <p>18 Q. "And is not pledged to LOC (or any</p> <p>19 other facility) is subject to the revolver."</p> <p>20 A. Um-hm.</p> <p>21 Q. "Any loan asset subject to the</p> <p>22 revolver also is subject to a second lien by</p> <p>23 the junior bondholders."</p> <p>24 Are those statements accurate?</p> <p>25 A. Please keep in mind that this was a</p>	<p>1</p> <p>2 very complex business -- complex facility.</p> <p>3 And we communicated to the various business</p> <p>4 groups, both domestically and</p> <p>5 internationally, what we needed to</p> <p>6 communicate to insure that we were accurately</p> <p>7 able to do what we needed to do with respect</p> <p>8 to the revolver.</p> <p>9 We routinely told various business</p> <p>10 groups -- and there were many of them -- that</p> <p>11 if it wasn't marked to the revolver, they had</p> <p>12 to assume it was blanket lien. So that way</p> <p>13 they would communicate to us everything that</p> <p>14 was going and not make assumptions that</p> <p>15 things didn't need to be released, things</p> <p>16 didn't need to be reported, that things</p> <p>17 didn't -- that they were free to do with the</p> <p>18 collateral what they will, because the</p> <p>19 experts really were in a very small group</p> <p>20 that managed the facilities.</p> <p>21 So we would routinely tell people</p> <p>22 in the business units in our training, assume</p> <p>23 blanket lien. Things are blanket lien unless</p> <p>24 they are primary or pledged to a facility.</p> <p>25 So anytime you have a sale of any</p>
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<p>1</p> <p>2 sort, you have got to tell us about it. And</p> <p>3 then the work as to whether it needed to be</p> <p>4 released or what the releases were, and I</p> <p>5 mean it went beyond just the collateral, it</p> <p>6 went to business obligations as well, that</p> <p>7 was then determined.</p> <p>8 So this is a business communication</p> <p>9 to somebody whom at this point in time I had</p> <p>10 probably had numerous conversations about the</p> <p>11 revolver, and I was always try -- continuing</p> <p>12 to remind him in easy terms that the blanket</p> <p>13 lien was something that needed to be dealt</p> <p>14 with. You couldn't assume that if it wasn't</p> <p>15 listed to primary, that it was -- and just</p> <p>16 because it said unpledged, there weren't</p> <p>17 obligations.</p> <p>18 So is it true? No, it's not</p> <p>19 particularly true. But is it shorthand we</p> <p>20 used in our business communications?</p> <p>21 Absolutely.</p> <p>22 Q. Thank you.</p> <p>23 Ms. Farley, are you aware that the</p> <p>24 pledge agreement related to the revolver was</p> <p>25 amended in 2009?</p>	<p>1</p> <p>2 A. Yes.</p> <p>3 Q. And were you involved with that</p> <p>4 amendment?</p> <p>5 A. Yes.</p> <p>6 Q. Can you explain to me what your</p> <p>7 involvement was, please?</p> <p>8 A. This was at the time of the</p> <p>9 amendment and restatement of the revolver,</p> <p>10 and so I would have reviewed the documents</p> <p>11 and negotiated the documents, along with</p> <p>12 other individuals within the firm. But I</p> <p>13 would have taken lead.</p> <p>14 Q. So I -- is it safe to assume then</p> <p>15 that you have an understanding of the way in</p> <p>16 which that pledge and security agreement</p> <p>17 works and the obligations that it imposes?</p> <p>18 A. Yes.</p> <p>19 (Discussion held off the record)</p> <p>20 MS. NEWMAN: Let's go off the</p> <p>21 record.</p> <p>22 THE VIDEOGRAPHER: The time is</p> <p>23 1:25 p.m. We are now off the record.</p> <p>24 (Discussion held off the record)</p> <p>25 THE VIDEOGRAPHER: The time is</p>

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<p>1 2 1:26 p.m. We are now back on the record. 3 Q. Ms. Farley, I think you mentioned 4 John Peterson earlier. Can you tell me who 5 Mr. Peterson is? 6 A. Mr. Peterson was in finance, 7 responsible when I joined for the treasury 8 group within ResCap. I'm not sure of his 9 official title. And he actually was the one 10 who hired me. 11 Q. OK. Was Mr. Peterson -- did 12 Mr. Peterson have an understanding of the way 13 in which the revolver pledge and security 14 agreement worked? 15 MR. ENGELHARDT: Objection to form. 16 Q. To your knowledge? 17 A. To my knowledge, he did. 18 Q. Did he understand the way in which 19 the blanket lien worked? 20 MR. ENGELHARDT: Objection to form. 21 A. To my knowledge, I would expect so. 22 (Exhibit 9, document Bates stamped 23 RCUCCJSN 10063316 through 328 marked for 24 identification, as of this date.) 25 Q. Ms. Farley, you have just been</p>	<p>1 2 handed what has been marked as Farley 3 Exhibit 9, and you are a recipient of the 4 e-mail -- the second e-mail on the first 5 page. 6 Do you recall receiving that 7 e-mail? 8 A. No. 9 Q. Do you have any reason to doubt 10 that you did receive it? 11 A. I have no reason. 12 Q. Do you recall having a meeting or a 13 conference call to discuss -- and I'm reading 14 now from the second page of the e-mail -- 15 where the subject of the meeting or the call 16 was to begin to understand the revolver and 17 the flow of information needed, impact on 18 asset sales and where the cash goes with the 19 cash-forecasting process? 20 A. I don't recall this specific 21 meeting. 22 Q. If you look at the document behind 23 the e-mail, it's in a -- like a meeting 24 summary with an agenda. Under the agenda 25 section, it says, number 1, "How revolver</p>
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<p>1 2 works, general categories," and then there is 3 some additional language that I think are 4 referencing documents. And to the right of 5 that, it says, "Discussed by John Peterson." 6 Do you remember participating in 7 either a call or a meeting where Mr. Peterson 8 discussed this subject? 9 MR. HAMERMAN: Objection, form. 10 MR. ENGELHARDT: Objection to form. 11 Any call or meeting at any time? 12 MS. NEWMAN: Yes. 13 A. I recall participating in 14 regular -- and this was, I think, the start 15 of weekly meetings -- regular meetings to 16 discuss the revolver business happenings with 17 the business people. I recall John being on 18 some of those meetings and generally 19 providing an introduction. I don't recall 20 John going through detail with respect to any 21 of these schedules. 22 Q. OK. 23 MS. NEWMAN: Why don't we just go 24 off the record for a second. 25 THE VIDEOGRAPHER: The time is</p>	<p>1 2 1:32 p.m. We are off the record. 3 (Discussion held off the record.) 4 (Exhibit 10, Adversary Complaint 5 for Declaratory Judgment, Avoidance of 6 Liens and Disallowance of Claims with 7 Schedules 1 through 5 marked for 8 identification, as of this date.) 9 THE VIDEOGRAPHER: The time is now 10 1:36 p.m. We are now back on the record. 11 BY MS. NEWMAN: 12 Q. OK. So Ms. Farley, you have just 13 been handed what has been marked as Farley 14 Exhibit 10, which is a copy of the complaint 15 that has been filed in this action, along 16 with the schedules to that complaint, but 17 omits the exhibits to the complaint. 18 Have you seen the committee 19 complaint before? I think I asked you that 20 earlier. I apologize for repeating, but can 21 you refresh my recollection, please? 22 A. No. I may have been handed it 23 during prep, but I don't know this document. 24 Q. And is the same -- would you give 25 the same answer with respect to the schedules</p>

1 behind the text of the complaint?

2 A. No. I saw the schedules in my
3 prep.

4 Q. In your prep. Had you seen them
5 before that time?

6 A. No.

7 Q. So I assume you did not see any
8 part of the committee complaint before it was
9 filed?

10 A. That's correct.

11 Q. And I think you testified earlier
12 that you have not had any communications with
13 any of the committee members or committee
14 advisors with respect to the committee
15 complaint other than the prep session; is
16 that correct?

17 A. That's correct.

18 Q. What about conversations with AFI?
19 Have you had any conversations with anyone at
20 AFI in connection with the committee
21 complaint?

22 A. No.

23 Q. OK. Can you turn to Schedule 1,
24 please. All set?

1 A. Yes.

2 Q. When was the first time that you
3 saw this schedule?

4 A. Yesterday.

5 Q. Do you know how this schedule was
6 prepared?

7 A. I believe it was prepared by the
8 unsecured creditors committee or their
9 advisors. This was not prepared by the
10 company.

11 Q. OK. Can you tell by looking at it
12 how it was prepared?

13 A. This looks like it would have come
14 from CFDR information.

15 Q. OK. Looking back to the summary
16 page on the first page -- or the first page,
17 underneath the text, there are some numbers
18 that are labeled 1, 2, 3, 4, 5. And 5 is
19 "BMMZ former bilateral." Do you know what
20 that means?

21 MR. ENGELHARDT: Objection to form.

22 MR. HAMERMAN: Object to the form.

23 A. I don't know what BMMZ stands for,
24 but my understanding is this was the facility

1 that took the collateral that came off of the
2 Goldman and Citi lines when they expired.

3 Q. There is something called a BMMZ
4 repo facility, correct?

5 A. Correct.

6 Q. And is that the facility that you
7 are referring to?

8 A. Yes.

9 Q. Is that a bilateral facility?

10 A. I don't know how it was
11 characterized at the time.

12 Q. Have you ever seen the term "BMMZ
13 former bilateral" before? Before viewing
14 this yesterday.

15 A. The complete term, no.

16 Q. Have you seen some form of that
17 term?

18 A. BMMZ.

19 Q. OK. Have you or anyone at the
20 company done any work to determine whether
21 the loans and other assets listed in this
22 Schedule 1 are loans and assets that were at
23 one time pledged -- or excuse me, were at the
24 inception of the revolver pledged to a

1 bilateral facility and that were then
2 subsequently released from that bilateral
3 facility at a time prior to the petition
4 date?

5 MR. ENGELHARDT: Objection to form.

6 MR. HAMERMAN: Objection to form.

7 A. I don't know.

8 Q. You don't know if anyone at the
9 company has done that work?

10 A. I don't know.

11 (Exhibit 11, spreadsheet marked for
12 identification, as of this date.)

13 Q. All set?

14 A. OK.

15 Q. Ms. Farley, I will represent to you
16 this is an abstract that we took from the
17 CFDR with -- and the only revisions that we
18 made to it was to add the highlighting.

19 Does this look familiar -- is this
20 the format of the CFDR that you are familiar
21 with?

22 MR. ENGELHARDT: One moment. Could
23 we have a representation as to the date
24 on which this snapshot was taken?

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<p>1</p> <p>2 MS. NEWMAN: I can tell you that it</p> <p>3 was -- no, actually, because it comes</p> <p>4 from the debtor information, and so I</p> <p>5 don't know if that's a live database that</p> <p>6 was produced, so that -- I mean, I can</p> <p>7 tell you that it was pulled by us this</p> <p>8 week. But I don't know when the debtors</p> <p>9 pulled it to give it to us.</p> <p>10 MR. ENGELHARDT: OK.</p> <p>11 Q. This is -- I will also represent to</p> <p>12 you that this is one of the loans that --</p> <p>13 that the loan ID here, which is the -- let me</p> <p>14 ask you a question before I make that</p> <p>15 representation.</p> <p>16 In the second column from the</p> <p>17 right, there is a heading that says "Mortgage</p> <p>18 Loan Sequence ID." Do you see that?</p> <p>19 A. Yes.</p> <p>20 Q. Is that a unique identifier that is</p> <p>21 given to assets in the CFDR?</p> <p>22 A. It is, from my understanding, a</p> <p>23 unique identifier for groups of assets in the</p> <p>24 CFDR. Each asset also has a unique number</p> <p>25 that can be tracked back. This is only one</p>	<p>1</p> <p>2 view and one report that can be pulled from</p> <p>3 that database.</p> <p>4 Q. So there would be another number</p> <p>5 associated with a particular loan; is that</p> <p>6 correct?</p> <p>7 A. That is correct.</p> <p>8 Q. OK. My understanding -- and you</p> <p>9 are more familiar with this database by far</p> <p>10 than I am, but my understanding is that this</p> <p>11 shows the way in which one particular loan</p> <p>12 was recorded in the CFDR from July 31, 2008,</p> <p>13 through May 13, 2012. Can you tell if that</p> <p>14 understanding is correct?</p> <p>15 MR. ENGELHARDT: Objection to form.</p> <p>16 MR. HAMERMAN: Objection to form.</p> <p>17 A. That appears to be the case.</p> <p>18 Q. OK. So now I'm looking at the</p> <p>19 "Fund Facility Name" column, which is a</p> <p>20 little bit more than center towards the right</p> <p>21 of the page. Do you see that? Another of</p> <p>22 the highlighted rows.</p> <p>23 What is the -- what does that</p> <p>24 column show?</p> <p>25 A. That shows to which facility the</p>
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<p>1</p> <p>2 asset would have been pledged, if any.</p> <p>3 Q. And what does "FB" in that first</p> <p>4 row mean?</p> <p>5 A. I am speculating. So I am thinking</p> <p>6 that might have been one of the facilities</p> <p>7 that paid off. I don't really know.</p> <p>8 Q. OK. This shows, does it not, that</p> <p>9 the particular loan reflected on this page</p> <p>10 was either listed as -- was either unpledged</p> <p>11 or pledged to the revolver throughout the</p> <p>12 life of the revolver?</p> <p>13 MR. ENGELHARDT: Objection to form.</p> <p>14 MR. HAMERMAN: Objection.</p> <p>15 Q. Is that correct?</p> <p>16 MR. ENGELHARDT: And to the extent</p> <p>17 it calls for a legal conclusion.</p> <p>18 MR. HAMERMAN: Objection.</p> <p>19 A. To the extent that this report is</p> <p>20 accurate, which you have represented it is,</p> <p>21 it does show that.</p> <p>22 Q. So can you think of why the</p> <p>23 committee would have thought -- is there</p> <p>24 anything -- is there anything reflected on</p> <p>25 this page suggesting that this loan was</p>	<p>1</p> <p>2 pledged to a bilateral facility at the time</p> <p>3 that the revolver was executed?</p> <p>4 MR. ENGELHARDT: Objection.</p> <p>5 Q. You can answer.</p> <p>6 MR. HAMERMAN: Objection.</p> <p>7 A. FB may relate to a facility. I do</p> <p>8 not know. If it does, then the answer would</p> <p>9 be yes.</p> <p>10 Q. OK. Is there -- other than that,</p> <p>11 is there any other indication that this loan</p> <p>12 was pledged to a bilateral facility?</p> <p>13 MR. HAMERMAN: Objection.</p> <p>14 MR. ENGELHARDT: Objection.</p> <p>15 A. There is no other indication.</p> <p>16 Q. Do you know, Ms. Farley, whether</p> <p>17 there was a bilateral facility that</p> <p>18 terminated between 7/31/2008 and 8/31/2008?</p> <p>19 A. I don't recall.</p> <p>20 Q. You don't know. We are done with</p> <p>21 that, you can set it aside.</p> <p>22 Can you please turn to Schedule 6.</p> <p>23 MR. HAMERMAN: Was this marked,</p> <p>24 this chart that we have been talking</p> <p>25 about? Has it been marked as an exhibit?</p>

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<p>1 2 MR. ENGELHARDT: 11. 3 MR. HAMERMAN: 11, thank you. 4 Q. I misrepresented something to you. 5 Can we actually -- I am actually going to ask 6 another question about Farley Exhibit 11. 7 The GMAC revolver notation that is 8 listed under the fund facility name, 9 beginning as of 9/30/2008, what is the -- 10 what does that -- what is that intended to 11 convey respecting whether or not this loan is 12 pledged to the revolver? 13 MR. ENGELHARDT: Objection to form. 14 A. It is intended to convey that this 15 particular asset was pledged as primary 16 collateral to the revolver and thus would be 17 subject to all of the reporting and other 18 provisions within the revolver document. 19 Q. OK. Thank you. 20 Have you seen Schedule 6 before? 21 A. I may have seen it in the last two 22 days. 23 Q. Did you see it prior to that time? 24 A. No. 25 Q. Do you know as you sit here today</p>	<p>1 2 whether the assets reflected on Schedule 6 -- 3 excuse me, strike that. 4 Do you know sitting here today 5 whether the JSNs were granted a lien in the 6 assets reflected on Schedule 6 during the 7 75 days preceding ResCap's bankruptcy filing? 8 MR. ENGELHARDT: Objection to the 9 form and to the extent it calls for a 10 legal conclusion. 11 MR. HAMERMAN: I join in that 12 objection. 13 A. I am not aware of any new liens 14 granted to the JSNs or to Ally during that 15 period of time. Unless there were new assets 16 which had come into the company which were 17 granted under the PSAs and hadn't been 18 otherwise excluded. Or subject to the lien 19 releases. 20 Q. Well, if there were new assets 21 coming in, they wouldn't be subject -- I'm 22 just a little confused about something you 23 said. If there were new assets coming in, 24 they wouldn't be subject to the lien releases 25 at that point, would they?</p>
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<p>1 2 MR. ENGELHARDT: Objection to form 3 and to the extent it calls for a legal 4 conclusion. 5 MR. HAMERMAN: Join in the 6 objection. 7 A. The only situation I can think of 8 is if there had been a bilat expiring to 9 which there had been a lien release executed 10 to place it onto that bilat. 11 Q. Understood. Thank you. 12 Do you know whether the assets 13 listed on Schedule 6 were acquired by ResCap 14 during the 75 days preceding the bankruptcy? 15 MR. ENGELHARDT: Objection to form. 16 MR. HAMERMAN: Join in the 17 objection. 18 A. I do not know. 19 Q. Would it be reasonable -- 20 consistent with ResCap's ordinary course of 21 business that these assets would have been 22 purchased by ResCap during the 75 days 23 preceding the petition date? 24 MR. ENGELHARDT: Objection. 25 MR. HAMERMAN: Join in the</p>	<p>1 2 objection. 3 A. To my knowledge, we were not doing 4 a lot of purchases before the preference 5 date, within that time period. 6 Q. Not doing a lot of purchases -- 7 A. I don't know as we were doing 8 purchases of mortgage loans. There may have 9 been FHA or VA loans created or modifications 10 done, but we were not purchasing packages of 11 loans during that time. 12 Q. OK. Can you think of any reason 13 why the committee would think, for example, 14 that ResCap purchased 137 approximately -- 15 actually, 138 million HFS loans during the 16 75 days preceding the petition date? 17 MR. ENGELHARDT: Objection. 18 MR. HAMERMAN: Objection. 19 THE WITNESS: I can respond? 20 MR. ENGELHARDT: You can respond. 21 A. The unpledged assets, whether or 22 not they were subject to the blanket lien, 23 were simply marked as unpledged in the CFDR 24 facility. That was because we had no other 25 obligations with respect to those assets from</p>

1
2 a reporting standpoint or really a cash
3 management standpoint.

4 Shortly before the filing date, the
5 decision was made, since we were going to
6 have to start reporting on all assets which
7 had been subject to the blanket lien at the
8 time of the filing date, there was an effort
9 undertaken to label all of the assets which
10 were in our view, and based on the processes
11 I described, subject to the blanket lien.

12 And so the CFDR reporting with
13 respect to those assets would have gone from
14 unpledged to, you know, blanket lien, and I
15 speculate that perhaps the unsecured
16 creditors committee may be looking at that
17 change in the facility as moving from
18 unpledged to a pledged status.

19 Q. Do you know if anyone at ResCap has
20 had conversations about the committee's
21 allegation that new liens were granted to the
22 JSNs in the assets listed on Schedule 6
23 during the 75 days preceding the petition
24 date?

25 MR. HAMERMAN: Objection to form,

1
2 and can you clarify whether you're
3 talking about during prep or when
4 you're -- when these conversations might
5 occur -- might have occurred that you are
6 asking about?

7 Q. Other than in prep sessions. Do
8 you remember -- do you recall the question?

9 A. Could you restate it, please.

10 Q. Yes.

11 Do you know if anyone at ResCap has
12 had conversations about the committee's
13 allegation that new liens were granted to the
14 JSNs in the assets listed on Schedule 6
15 during the 75 days preceding the petition
16 date, other than conversations that have
17 taken place in preparation for depositions in
18 this matter?

19 A. I do not know.

20 Q. You mentioned that although the
21 debtors were not doing a lot of purchasing of
22 loans in the 75 days preceding the petition
23 date, they did do some purchasing of FHA/VA;
24 is that correct?

25 A. The primary business, as I recall,

1
2 in the 75 days, was the continuation of the
3 origination business. So the loans weren't
4 really being purchased, they were being
5 originated.

6 And there was a relationship
7 between the bank and ResCap where one
8 originated, you know, and one brokered the
9 loans. And I consider that as part of the
10 origination activity. So those were done as
11 they had always been done.

12 Q. OK.

13 A. Modifications were done as they had
14 been done. But we were not, to my knowledge,
15 actively going out and looking for pools of
16 loans to purchase.

17 Q. And the loans, pools of loans would
18 be reflected in the -- is it correct that
19 pools of loans would be reflected in the HFS
20 category?

21 MR. ENGELHARDT: Objection to form.

22 A. I believe everything that was a
23 loan as of year ended at the time of filing
24 was designated for accounting purposes as
25 HFS.

1 Q. OK. And what is FHA/VA?

2 A. FHA/VA is a designation that refers
3 to loans which are eligible for sale because
4 they meet the parameters described by FHA and
5 VA, respectively.

6 Q. OK. And what is -- can you explain
7 to me the distinction, I'm not sure I follow
8 it, between HFS and FHA/VA?

9 A. HFS is an accounting designation
10 which means held for sale, and that
11 designation means you have to do certain
12 things and follow FAS-B pronouncements as it
13 relates to carrying those assets on your
14 books and updating the values for financial
15 purposes. So HFS revolver here, and I'm
16 speculating, means those loans on the
17 revolver that were in the HFS category.

18 Number 2 would relate to those
19 loans subject to the blanket lien that
20 were -- or they're alleging are removed
21 subject to the blanket lien that were, again,
22 in the HFS accounting category.

23 The 212 -- again, I'm
24 speculating -- are FHA/VA loans that were not
25

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<p>1 2 included in 1 or 2. 3 Q. OK. And what would be the reason 4 that a loan would be categorized as FHA/VA 5 rather than HFS? 6 A. FHA/VA typically had an accounting 7 designation of HFS as well, so this, I 8 speculate, just has to do with the breakout 9 of the categories here. 10 The revolver and the blanket lien 11 had a number of different loan types 12 associated with them, including FHA/VA. So 13 whomever prepared this schedule just decided 14 to break those out in that manner. 15 Q. Did the CFDR list loans as either 16 HFS or FHA/VA or another designation that I'm 17 not aware of? Let me try to ask this in a 18 more artful way. 19 Would the CFDR note whether a loan 20 that was one of FHA or HFS or both, would it 21 have a label of either HFS or FHA/VA? 22 MR. ENGELHARDT: Objection to form. 23 MR. HAMERMAN: Objection to form. 24 A. They are different designations. 25 So within CFDR, a loan would have a</p>	<p>1 2 designation if it were FHA or VA or if it 3 were a different sort of loan, to be able to 4 bucket those loans appropriately. The loans 5 should also have a designation of HFS, HFI. 6 There were a couple of other accounting 7 designations used primarily for some of the 8 overseas collateral. And that would also be 9 assigned on an asset level or on a loan 10 level. 11 So a loan could have both 12 designations. It would definitely have space 13 for designations of the type that the field 14 required. 15 Q. I understand, thank you. 16 If these loans -- if you turn to 17 the next page, you can see that each of the 18 loans listed on Schedule 6 have a mortgage 19 loan sequence ID. Is that a unique 20 identification for an individual loan? 21 MR. HAMERMAN: Objection to form. 22 A. I believe that is one of them, yes. 23 Q. Do you believe or is it consistent 24 with your understanding that ResCap purchased 25 approximately 213 million FHA/VA loans in the</p>
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<p>1 2 75 days preceding the bankruptcy filing? 3 MR. ENGELHARDT: Objection to form. 4 MR. HAMERMAN: Objection to form. 5 A. Again, not purchase. Originate, as 6 I kind of defined that within the family, 7 including the relationship with the bank. 8 Those numbers do not seem out of line to me 9 with origination activity. 10 Q. How does originating work? Can you 11 walk me through the process of how ResCap 12 would originate a loan? 13 A. OK. 14 MR. HAMERMAN: Objection to form. 15 A. The way the origination process 16 worked, which was only one of the channels 17 within ResCap over the years to access 18 mortgage loans, but the process of 19 originating really begins with a person 20 wanting to buy a house and approaching a 21 broker or approaching a firm, in this case it 22 would be a company or a correspondent owned 23 by the ResCap family. There is an 24 application entered into. 25 I'm going to be short here, just</p>	<p>1 2 because the origination process, as you may 3 know from buying houses, is lengthy, with a 4 lot of documents, but there are -- there is 5 the application turned in, a lot of 6 supporting documents turned in. There is 7 disclosures made by the borrower -- by the 8 lender to the borrower. There is a back and 9 forth in terms of the various terms, the 10 various product types that are worked on. 11 At some point you get to a closing 12 table where all the appropriate disclosure 13 documents have been laid out, all the 14 appropriate loan documents are there, all the 15 insurance policies and binders and, you know, 16 everything that's required is there. The 17 borrower is there. The borrower signs up, 18 signs up the paperwork. The money is 19 released for the purchase of the house, or, 20 you know, if it is a refinancing or 21 something, the money is basically released 22 upon the execution of that document. 23 There are two ways that the lender 24 basically funds that asset. One is wet 25 funding, which basically is sending money to</p>

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<p>1 2 the closing table prior to the lender's 3 receipt of the documentation, so basically 4 there is no document in the control of the 5 lender at that point in time. 6 The other way is basically waiting 7 until the documents are there -- I take that 8 back. The wet fundings either can be done of 9 the lines with wet funding limits. Not every 10 line had wet funding limits. Most lines 11 don't. Those are very tightly controlled, as 12 you can imagine, because of the risk 13 associated with that. Or the company had to 14 fund those out of its own cash. 15 And once the documents arrived at 16 the designated spot, the custodian -- and 17 were checked in, got the reporting, at that 18 point in time, those loans became eligible to 19 put on -- generally became eligible to put 20 into other funding facilities and not in the 21 wet category. 22 So then you have got the loan 23 within ResCap, right, and either placed on a 24 funding facility or not, depending on the 25 asset type. If it had already been placed in</p>	<p>1 2 a funding facility in the wet component, and 3 when the documents came in, at that point, 4 that loan would be moved into a different 5 subcategory on the same facility. I don't 6 think typically it came off that facility to 7 move on to another facility, because 8 generally that would not be that economic to 9 do so. 10 Q. So what were the sources of funding 11 for loan origination that ResCap accessed 12 during the 75 days preceding the bankruptcy 13 petition? 14 A. It would have been the BMMZ. I 15 think at that point Goldman and revolver 16 were -- I am sorry, Goldman and Citi were 17 probably fully amortizing at that point. 18 I believe -- let me see. I believe 19 the LOC could have still been used to fund 20 loans. Not wet, but to fund loans. I think 21 there was -- there is a servicing receivable 22 asset created at the time there is a loan. 23 The Citi receivable -- the Citi line would 24 have been available to fund work associated 25 with that particular asset.</p>
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<p>1 2 And then on a servicing front, GSAP 3 would have been available to fund the 4 advances associated with that loan that came 5 in. 6 Q. And if those sources of funding 7 that you just outlined were utilized to 8 originate a loan, were there any limitations 9 on whether the loan could then be pledged 10 under the revolver? 11 MR. ENGELHARDT: Objection to form 12 and to the extent it calls for a legal 13 conclusion. 14 MR. HAMERMAN: Objection to form. 15 Q. From an operational perspective? 16 A. If we had determined that we wanted 17 to pledge loans on any given funding facility 18 or bilat, we wanted to move them to the 19 revolver, we could have done that, as long as 20 we -- well, as long as several things, right? 21 One, we paid out the funding facility to the 22 extent required by removal of that asset. 23 The asset itself met the eligibility 24 requirements associated with the revolver. 25 We got the necessary approvals, typically</p>	<p>1 2 from Ally, to be able to place loans on the 3 revolver. 4 At that point, the revolver -- the 5 revolver became an amortizing facility at the 6 time of the amendment and restatement, so it 7 was not taking new loans at that point. We 8 could have agreed with Ally to add loans, 9 most likely. 10 And the other requirements 11 associated really with the movement of 12 collateral from one facility to the other, 13 like movement of the custodial functions, 14 things like that, would have had to occur. 15 Q. OK. I want to focus on something 16 you just said, which is the necessary 17 approvals to place loans on the revolver. 18 I'm not sure I understand that. Are you 19 saying that after the amendment to the 20 revolver in 2009, ResCap needed to obtain 21 approval from ResCap in order to -- excuse 22 me, from Ally, in order to put a new loan, 23 pledge a new loan under the revolver? 24 MR. ENGELHARDT: Objection to form. 25 A. As primary collateral.</p>

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<p>1 2 Q. Oh, as primary. 3 A. I'm talking about primary 4 collateral. The revolver became an 5 amortizing facility -- 6 Q. OK. 7 A. -- and we would have needed to 8 obtain approval to amend those terms to add 9 new assets to that funding facility as 10 primary collateral, and that really, when we 11 speak of it, it wouldn't be added -- taken 12 off a funding facility and added, if you 13 will, to the revolver in any other way, 14 because there was no money that we would get 15 as a result of it from the blanket lien. 16 Q. So I'm trying to understand how it 17 would be that there would be 2 -- 18 approximately 213 million in loan 19 originations that occur during the 75 days 20 preceding the petition date, and that those 21 loans become subject to the JSNs' liens. 22 MR. ENGELHARDT: There is no 23 question there. 24 Q. Do you have a sense of that? 25 MR. ENGELHARDT: Objection to form</p>	<p>1 2 and to the extent it calls for a legal 3 conclusion. 4 MR. HAMERMAN: I join in that 5 objection. 6 Q. Let me change the question. Do you 7 have an understanding as to how that could be 8 the case? 9 MR. ENGELHARDT: Objection to form. 10 MR. HAMERMAN: I join that 11 objection. 12 A. My speculation is that these loans 13 were originated or modified, whatever, but 14 these loans came in, were marked as 15 unpledged, because they were not put on any 16 particular funding facility, and then when 17 the CFDR field was updated to reflect the 18 blanket lien for those assets that the 19 company in the processes I described were 20 subject to the blanket lien, there was that 21 conversion of approximately 213 million of 22 assets that had come in, the 75 days that had 23 been marked as unpledged, they were now 24 marked as blanket lien. 25 Q. OK. Based on my review of certain</p>
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<p>1 2 filings that have been made by the debtors, I 3 believe that cash collateral under the 4 revolver decreased by approximately 5 93 million dollars between 2/29/12 and 6 3/15/12 -- I am sorry, I think I got my -- 7 that's not right -- and 5/13/12. Does 8 that -- do you know by how much cash 9 collateral decreased during that period? 10 Cash collateral under the revolver decreased 11 during that period? 12 MR. ENGELHARDT: Objection. 13 You can answer. 14 MR. HAMERMAN: Join in the 15 objection. 16 A. No. 17 Q. Assuming that it was 93 million, do 18 you have an understanding of what -- actually 19 strike that. 20 Do you have an understanding of 21 what cash collateral pledged under the 22 revolver was used for during the 75 days 23 preceding the petition date? 24 MR. ENGELHARDT: Objection. 25 MR. HAMERMAN: Objection to form.</p>	<p>1 2 A. I'm speculating. But I would 3 expect that cash collateral under the 4 revolver, to the extent that cash collateral 5 related to sales proceeds of assets that were 6 on the revolver, would have gone into the 7 sale proceeds accounts. I don't know if 8 whether prior to the petition date those 9 sales proceeds accounts were being released 10 to Ally as required or if the freeze had 11 started at that time, but at the petition 12 date, my understanding was anytime the cash 13 went into the sale proceeds accounts, it was 14 restricted and it stayed there. 15 Q. Is that the freeze you are talking 16 about? 17 A. Yes. 18 MR. ENGELHARDT: Objection. 19 A. And that's sales proceeds. 20 To the extent that there was cash 21 coming in on the assets subject to the 22 revolver lien that were not related to sales 23 proceeds account, they would be used for 24 normal business purposes. 25 Q. And were sales proceeds -- strike</p>

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<p>1 2 that. 3 Are sales proceeds, proceeds 4 derived from sales of collateral pledged 5 under the revolver? 6 A. Sales proceeds are proceeds derived 7 from the sale of primary collateral under the 8 revolver. 9 Q. And were those sales proceeds 10 placed in an account that was segregated from 11 other cash? 12 A. That's a little longer answer than 13 just that. It's a complicated facility, and 14 it was a very complicated business model. 15 Again, there were various business 16 units that were a piece of this. There were 17 as few as eight, eight, 10, 12, 15 different 18 business units with whom we were working and 19 had sales. And the business units varied 20 just a little bit in terms of the initial 21 account the sales proceeds would come into. 22 Those accounts were subject to account 23 control agreements and were specified sales 24 proceeds accounts. 25 Within a set period of time, they</p>	<p>1 2 went to a common sales proceeds -- proceed 3 account. In the U.S. that was designated as 4 sale proceeds accounts. There may have been 5 a stop at a business-level sale proceed 6 account along the way. Internationally, 7 there were a few more accounts than there 8 were domestically. Those sales proceeds 9 moved into that final sales proceeds account 10 within 3 to 5 business days, depending on the 11 type of asset and the business unit that was 12 selling it. 13 And then at that point, when it hit 14 the sale proceeds account, every account 15 along the way, to my knowledge, was subject 16 to an account control agreement, and I'm 17 pretty aware of that, and then the account 18 control agreement -- and then once it hit the 19 sales proceeds account, the ultimate one, it 20 was restricted in that we could not withdraw 21 cash from that account once the sales 22 proceeds hit that. 23 (Exhibit 12, spreadsheet marked for 24 identification, as of this date.) 25 Q. I will represent to you that this</p>
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<p>1 2 is an extract that we took from the CFDR -- 3 that these are both extracts that we took 4 from the CFDR, and the only changes that we 5 made was adding the highlighting. 6 This -- if you look at the 7 acquisition loan -- I think it says 8 acquisition -- I'm not sure what the full 9 name is, but the second column on both 10 documents is "Acquisition Loan" something. 11 Do you see that? 12 A. Yup, "Acquisition Loan ID." 13 Q. "Acquisition Loan ID." 14 So let's look at the first row, for 15 example. In the 2/29 set of pages, the first 16 acquisition loan ID is 10723969. Do you see 17 that? 18 A. Yes. 19 Q. And in the 5/13 set of pages, it's 20 the same acquisition loan ID in the first 21 row. Do you see that? 22 A. Yes. 23 Q. Does that mean that the first row 24 for each of these sets of documents relates 25 to the same loan?</p>	<p>1 2 MR. HAMERMAN: Objection to form. 3 MR. ENGELHARDT: Objection to form. 4 A. Yes. 5 Q. Do you have any understanding of 6 why the committee would think that a loan 7 that was pledged or that was listed under -- 8 as GMAC revolver in the fund facility column 9 on 2/29/12, and it was also listed in the 10 GMAC revolver fund facility column as of 11 5/13/2012, was added to the JSNs' collateral 12 package during that period, during the time 13 between 2/29/2012 and 5/13/2012? 14 MR. ENGELHARDT: Objection. 15 MR. HAMERMAN: Join in the 16 objection. 17 A. I do not know. 18 Q. OK. Assuming that these are 19 accurate extracts from the CFDR, do they show 20 that the loans listed on these pages were 21 pledged -- well, actually, let's focus on the 22 first one. 23 Assuming that this is an accurate 24 extract from the CFDR, does it show that the 25 loan listed in the first row was pledged as</p>

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<p>1 collateral to the JSNs on February 29, 2012?</p> <p>2 MR. ENGELHARDT: Objection to form</p> <p>3 and to the extent it calls for a legal</p> <p>4 conclusion.</p> <p>5 MR. HAMERMAN: Objection to the</p> <p>6 form and calls for a legal conclusion.</p> <p>7 A. It shows that this particular asset</p> <p>8 was primary collateral under the GMAC</p> <p>9 revolver. The pledge actually in the REOs</p> <p>10 was indirect. The revolver and the JSNs had</p> <p>11 an interest in the SPV. But this doesn't</p> <p>12 show the pledge necessarily.</p> <p>13 Q. OK. But does -- this shows there</p> <p>14 was a pledge as of February 29, 2012; isn't</p> <p>15 that correct, or no?</p> <p>16 MR. ENGELHARDT: Objection to form</p> <p>17 and to the extent it calls for a legal</p> <p>18 conclusion.</p> <p>19 MR. HAMERMAN: Objection.</p> <p>20 A. This shows that this asset was</p> <p>21 primary collateral under the GMAC revolver.</p> <p>22 It doesn't necessarily -- this particular</p> <p>23 column is just designed to show the facility</p> <p>24 to which that asset relates or if it's</p> <p>25</p>	<p>1 unpledged.</p> <p>2 So I don't think you can use the</p> <p>3 term "pledged" or "not pledged" as it relates</p> <p>4 to this report, because it doesn't show kind</p> <p>5 of the -- everything that's pledged or not</p> <p>6 pledged in the sense that was there a lien or</p> <p>7 wasn't there a lien. We went through that</p> <p>8 conversation about what "unpledged" kind of</p> <p>9 meant or didn't mean before.</p> <p>10 Q. Um-hm.</p> <p>11 A. And it doesn't go through the</p> <p>12 distinctions between direct and indirect</p> <p>13 pledges, if you will, supporting collateral.</p> <p>14 You are probably familiar with that term.</p> <p>15 In this case, the REO would not</p> <p>16 have been directly pledged, if you will, to</p> <p>17 the revolver. It would have been put into an</p> <p>18 SPV, that the SPV equity was pledged to the</p> <p>19 revolver. There is a distinction.</p> <p>20 Q. Sure.</p> <p>21 But the 2/29 page shows that the</p> <p>22 equity in the SPV was -- served as collateral</p> <p>23 for the revolver and the JSNs as of</p> <p>24 2/29/2012, doesn't it?</p> <p>25</p>
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<p>1 MR. ENGELHARDT: Objection to form</p> <p>2 and to the extent it calls for a legal</p> <p>3 conclusion.</p> <p>4 MR. HAMERMAN: What he said.</p> <p>5 A. This shows that the REO was placed</p> <p>6 into an SPV that was subject to the lien of</p> <p>7 the revolver and was primary collateral.</p> <p>8 Q. As of February --</p> <p>9 A. As of February -- yes.</p> <p>10 Q. Let me just ask the question. As</p> <p>11 of February 29, 2012; is that correct?</p> <p>12 A. Yes. That REO was added value as</p> <p>13 primary collateral to the revolver. How</p> <p>14 about that?</p> <p>15 Q. So the REO listed in column 1 --</p> <p>16 excuse me, row 1, was not added -- does not</p> <p>17 appear from these pages to have been added to</p> <p>18 the revolver collateral package after --</p> <p>19 after February 29, 2012; is that correct?</p> <p>20 MR. HAMERMAN: Objection.</p> <p>21 MR. ENGELHARDT: Objection.</p> <p>22 A. It appears to be primary collateral</p> <p>23 on both days for the revolver.</p> <p>24 Q. Is there any document you can think</p> <p>25</p>	<p>1 of other than these pages that would</p> <p>2 explain -- let me strike that.</p> <p>3 Is there any document that the</p> <p>4 debtors would have that would explain why the</p> <p>5 committee would think that such an asset was</p> <p>6 added to the JSNs' collateral package between</p> <p>7 February 29, 2012, and 5/13/2012?</p> <p>8 MR. ENGELHARDT: Objection.</p> <p>9 MR. HAMERMAN: Objection.</p> <p>10 A. This specific asset, no.</p> <p>11 (Exhibit 13, spreadsheet marked for</p> <p>12 identification, as of this date.)</p> <p>13 Q. This is -- I will represent that</p> <p>14 this is another extract, or these are two</p> <p>15 extracts that we took from the CFDR, and the</p> <p>16 only change or modification that we made was</p> <p>17 to add the highlighting.</p> <p>18 I think you touched upon this a</p> <p>19 little bit earlier when we were speaking.</p> <p>20 This shows or these extracts show that there</p> <p>21 were certain loans reflected in the CFDR as</p> <p>22 of 2/29/2012 that appear to have been</p> <p>23 recharacterized -- excuse me, recategorized</p> <p>24 in the CFDR as REO as of 5/13/2012. Do you</p> <p>25</p>

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<p>1 2 see that? 3 A. Yes. 4 Q. OK. Can you explain to me what the 5 process was that led to that, if you know? 6 A. This is a normal process of a 7 severely delinquent loan that goes into 8 foreclosure. At the time of foreclosure, the 9 loan is extinguished and it becomes a real 10 property. So no longer do we have a loan 11 asset that's secured by real property. There 12 has been a default under the loan 13 documentation, and we have taken the real 14 property. 15 And the REO is a representation of 16 the property that we now have. It's really a 17 change in form of the asset from a loan to a 18 REO. REO stands for real estate owned. 19 Q. OK. So looking at the first -- 20 let's focus on the first row in 2/29/2012. 21 Does this row show that there was reflected 22 in the CFDR a loan with a carrying value of 23 approximately 394,000 dollars? 24 A. Yes. 25 Q. OK. And then if I look up to the</p>	<p>1 2 first row on 5/13/2012, that loan has now 3 been -- is it fair -- is it accurate to say 4 that that loan has now been extinguished for 5 real property with a carrying value of 6 328,000 dollars? 7 MR. HAMERMAN: Objection to the 8 extent it calls for a legal conclusion. 9 MR. ENGELHARDT: Object to the 10 form. 11 A. The loan itself, you know, is no 12 longer. In its place, there is this REO. 13 The REO as of 5/13 has a different carry 14 value than the loan had four months earlier, 15 and that carry value would have been assigned 16 to the REO property in accordance with the 17 conventions that FAS-B requires for carry 18 value on REOs. 19 Q. And it's the same with respect to 20 the other REOs listed on the remaining 21 columns on the spreadsheet? 22 A. That's correct. 23 MR. ENGELHARDT: Objection to form. 24 MR. HAMERMAN: Join in the 25 objection.</p>
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<p>1 2 A. That's correct. 3 (Exhibit 14, spreadsheet marked for 4 identification, as of this date.) 5 Q. All set? 6 I will represent again that this is 7 an extract that we took from the CFDR with 8 the sole modification that we added the 9 highlighting. These are REO that we were 10 able to locate in the CFDR as of 2/29/2012 11 that then disappeared from the CFDR after 12 that time, and we weren't able to figure out 13 what happened to them. 14 Would it -- if REO was sold, would 15 you typically be able to tell from the CFDR 16 that that REO was sold? 17 MR. HAMERMAN: Objection to the 18 form of the question. 19 A. You would have to go into the 20 history. But that really becomes in a way 21 part of the pay-off/charge-offs. The REO is 22 sold, we get cash, the property is gone, the 23 collateral is there no longer. 24 Q. OK. So if I were trying to trace 25 that, how would I go about doing it?</p>	<p>1 2 A. There should have been an upload 3 from one of the servicing groups that 4 reflected the sale of the REO. And that 5 template upload should be reflected in the 6 history of the CFDR. 7 Q. And would it be keyed to the 8 specific loan sequencing ID? 9 A. It would be keyed to a -- the 10 specific loan asset, which would go into the 11 records relating to that specific asset. 12 (Exhibit 15, spreadsheet marked for 13 identification, as of this date.) 14 (Exhibit 16, spreadsheet marked for 15 identification, as of this date.) 16 Q. All set? So these are -- 17 MR. ENGELHARDT: Excuse me, 18 counsel, I don't have a copy of the 19 document. 20 MS. NEWMAN: Oh, I think maybe 21 they're a page or two pages behind -- 22 yes. I think they're identical. 23 Q. So I will represent that these are 24 also extracts from the CFDR, except that the 25 two columns to the right we imported from</p>

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<p>1 2 another section of the CFDR. 3 A. OK. 4 Q. These are -- excuse me, and there 5 was another addition, which was that we added 6 the totals at the bottom of the page. 7 These are assets that were 8 reflected in the CFDR as of 5/13/2012. And 9 not onto -- I don't believe onto 2/29/2012, 10 but were reflected in the CFDR at an earlier 11 date. And you can see the earlier date on 12 the far right-hand column. 13 MR. ENGELHARDT: There is no 14 question there yet. 15 Q. Do you see that? 16 A. I do. 17 MR. ENGELHARDT: Objection. 18 MR. HAMERMAN: Objection. 19 Q. Do you know why these assets would 20 have disappeared from the CFDR and then 21 reappeared? 22 MR. ENGELHARDT: Objection to form. 23 MR. HAMERMAN: Join in the 24 objection. 25 A. It would only be speculation, and</p>	<p>1 2 it might be an incomplete speculation at 3 that. 4 It is possible that some of these 5 loans were sold and then we repurchased them 6 due to a breach of rep or warranty. I'm not 7 sure. I think that's a possibility. 8 Q. OK. If they were -- assuming that 9 that's correct, without knowing, if these 10 loans were repurchased by ResCap, where would 11 the funds for such -- what would the source 12 of the funds for such repurchase be? 13 MR. ENGELHARDT: Objection to form. 14 MR. HAMERMAN: Objection. 15 Q. In the ordinary course of business? 16 A. The funds for the repurchase could 17 have been out of just normal operating cash. 18 We could have done a draw off the LOC. 19 Q. And if there was a draw off the LOC 20 and the loan was repurchased, would the loan 21 then be subject -- be categorized as primary 22 collateral under the revolver? 23 MR. ENGELHARDT: Objection to form 24 and to the extent it calls for a legal 25 conclusion.</p>
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<p>1 2 MR. HAMERMAN: I join in the 3 objection. 4 A. No, the LOC and the revolver were 5 two completely different facilities and they 6 operated in a different way. 7 So if a loan were repurchased out 8 of the draw off the LOC, the loan would not 9 necessarily be classified as an LOC asset, 10 because they have not put -- it would not 11 necessarily have been pledged to the LOC 12 unless we'd have gone through the addition 13 process there. 14 It would not have been put on the 15 revolver as reinvestment collateral unless we 16 had gone through the process there, and it 17 would not be on any other facility unless we 18 had pledged it to that other facility. 19 So it would go in, if it was 20 funded -- if the proceeds were received from 21 the LOC and it was not part of any pledge, it 22 would just go in as unpledged, and it would 23 be subject to the blanket lien to the extent 24 that, you know, it fit the grant and the 25 grantor under the PSA and it wasn't excluded.</p>	<p>1 2 That's the way a repurchase would 3 typically work. 4 Q. OK. 5 MS. NEWMAN: I think we have to go 6 off so that the tape can be changed. 7 THE VIDEOGRAPHER: That is the end 8 of tape number 3. The time is 2:44 p.m. 9 We are now off the record. 10 (Recess) 11 THE VIDEOGRAPHER: This is the 12 start of tape number 4. The time is now 13 2:56 p.m. We are now back on the record. 14 MR. ENGELHARDT: Counsel, before 15 you begin, the witness just mentioned to 16 me that she would like to clarify one of 17 her prior answers. I don't know which 18 one. 19 MS. NEWMAN: OK. 20 A. I just wanted to say just because I 21 don't remember why something would disappear 22 and come back on doesn't mean there wouldn't 23 be another reason for that to happen. This 24 particular database was a SOX database. 25 So in connection with that, there</p>

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<p>1 2 would have been risks laid out. One of the 3 risks would have been things removed and just 4 that disappear and there have would have been 5 controls put in place around that. 6 Just because that's a situation 7 that I could think of, there may have been 8 other explanations and there would have been 9 controls put in place to identify and figure 10 out things like this. 11 Q. Thank you, I appreciate that 12 clarification. 13 If I wanted to try to get a better 14 understanding of why that happened, who at 15 the company, at ResCap do you think would 16 have the most knowledge about that? 17 A. Barb Westman. 18 Q. Can you turn back to the summary 19 page on schedule 6, the first page of 20 schedule 6. 21 If I wanted to try to figure out -- 22 well, let me ask you this first. Is it 23 possible that 1, 2 and 3 of the summary page 24 could all be originations that occurred 25 during the 75 days preceding the petition</p>	<p>1 2 date? 3 MR. ENGELHARDT: Objection, form. 4 A. I do not think 1 would have been 5 originations. 6 Q. OK. 7 A. Two and 3 would have been 8 originations. 9 Q. What's the distinction you're 10 drawing between 1 and 2 and 3? 11 A. The revolver primary collateral was 12 a static pool. It was amortizing. There 13 were not loans added really much after 2008. 14 It was an inefficient funding facility. So 15 loans would not have been added to that 16 facility because it was amortizing. 17 But with respect to the blanket, 18 that would cover, you know, certain loans 19 coming in as originations during that period 20 unless they were pledged someplace else. 21 With respect to the FHA/VA, those assets 22 could well have come in in the origination 23 channel. 24 Q. Are you drawing a distinction that 25 you think it would be more likely that the</p>
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<p>1 2 FHA/VA would be originations than the amount 3 listed under HFS blanket? 4 MR. ENGELHARDT: Objection to form. 5 A. No, I think 2 and 3 could equally 6 be originations. 7 Q. OK. 8 A. And they could include 9 modifications as well as the originations. 10 And again, originations, the broad sense of 11 that definition. 12 Q. How would a modification -- strike 13 that. 14 Would there be a difference in the 15 way the loans were reflected in the CFDR if 16 the loan was a modification versus an 17 origination? 18 A. Modification would be treated as a 19 new loan. 20 Q. Would the modification have or be 21 associated with an asset that had existed in 22 the CFDR before the modification day? 23 MR. ENGELHARDT: Objection to form. 24 A. It is my understanding that there 25 would be an association back, but that</p>	<p>1 2 modification has new terms to it and those 3 new terms are what would be reflected in 4 CFDR. 5 Q. How would I -- how would I discern 6 from the CFDR if this -- if the loan was a 7 modification or an origination? 8 A. I think there would be a field you 9 would need to look at and it would likely be 10 historical. 11 Q. OK. And that field would show me 12 if there had been an asset that existed prior 13 to the loan modification in the CFDR 14 associated with the same loan, is that 15 correct? 16 A. It would -- it should show you -- 17 this is my understanding -- an association to 18 a previous loan, but then you have a new 19 loan. 20 Q. OK, when you say they will be in 21 historical -- this is probably because I 22 don't really have an understanding of how the 23 CFDR works -- but is there a tab I can click 24 on in the CFDR that will show me the 25 historical notes associated with a particular</p>

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<p>1 2 loan?</p> <p>3 A. No, I think it is a bit more 4 complicated than that, sadly. Sometimes you 5 simply go back to a previous time, that is 6 saved. Sometimes -- or you may be able to 7 see it in a field like you saw in the 8 previous funding facility. In a way, that's 9 historical information associated with that 10 asset, but there is -- but as with any 11 system, a technical record of all changes 12 made.</p> <p>13 Q. And one who was looking at the CFDR 14 should be able to access that, that 15 historical record, is that correct?</p> <p>16 A. Someone with technical abilities 17 should be able to access that. I don't 18 believe those are widely available to the 19 casual user. They do exist.</p> <p>20 Q. Other than looking at the 21 historical information in the CFDR, are there 22 other sources of information that I could 23 look at to try to discern whether the loans 24 listed here were modifications? And when I 25 say here, I mean on the summary page of</p>	<p>1 2 schedule 6?</p> <p>3 A. They may be found in the detail to 4 the ledger entries as of the time of the 5 modification. I'm not certain as I have not 6 looked for them myself, but I think that the 7 ledger may have that detail.</p> <p>8 Q. OK. And if a loan, if a loan was 9 listed -- well, strike that.</p> <p>10 If an asset was listed as, as 11 revolver in the fund facility column of the 12 CFDR on February 29, 2012, and is also listed 13 in the -- as revolver in the fund facility 14 column of the CFDR on May 13, 2012, can you 15 think of any basis for the allegation that 16 that asset was added to the revolver 17 collateral between 2/29/2012 and 5/1/2012?</p> <p>18 MR. ENGELHARDT: Objection to form.</p> <p>19 MR. HAMERMAN: Objection, and to 20 the extent it calls for a legal 21 conclusion.</p> <p>22 A. If it was listed as revolver in 23 February, and it was listed as revolver in 24 May, I don't know of any reason why the 25 committee would be alleging a transfer.</p>
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<p>1 2 Q. OK. And if an asset was listed as 3 unpledged in the CFDR -- in the fund facility 4 column of the CFDR on February 29, 2012 and 5 then as either revolver or blanket lien in 6 the fund facility column of the CFDR as of 7 5/13/2012, can you think of any basis for the 8 allegation that that asset was added to the 9 revolver collateral package during the period 10 between February 29, 2012 and May 13, 2012?</p> <p>11 MR. ENGELHARDT: Objection to form.</p> <p>12 MR. HAMERMAN: Objection to form 13 and to the extent it calls for a legal 14 conclusion.</p> <p>15 A. I don't know why the committee 16 would have alleged that it would have been 17 added unless for some reason the work done at 18 ResCap involving whomever else they included 19 of marking the unpledged assets to the 20 blanket lien improperly picked up some of the 21 assets because, as we discussed before, the 22 work done at the time of the filing in order 23 to enable the company to report on unpledged 24 assets and on blanket lien assets was to 25 determine as of that date which of the</p>	<p>1 2 unpledged assets were subject to the blanket 3 lien.</p> <p>4 And if they accidentally, 5 inadvertently labeled an asset that was not 6 subject to the blanket lien as subject to the 7 blanket lien, that possibly may be a reason 8 for the committee to think that.</p> <p>9 If the labeling was accurate, 10 however, and the identification of the assets 11 is blanket lien -- is changing them from 12 unpledged to blanket lien and that labeling 13 was accurate, I cannot think of a reason.</p> <p>14 Q. OK. And as you sit here today, are 15 you aware of any instances where an asset was 16 inaccurately or inadvertently labeled as 17 blanket lien as of 5/13/2012?</p> <p>18 MR. HAMERMAN: Objection.</p> <p>19 A. I am aware that there were 20 discrepancies in conversations around the 21 original markings to insure that they were 22 done appropriately.</p> <p>23 My understanding is that all of the 24 loans were marked, the servicing advances 25 were marked as blanket lien without further</p>

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<p>1 2 diligence. So I don't know whether things 3 were inadvertently picked up in that process. 4 Q. So you don't know one way or 5 another whether or not there were 6 inaccuracies in the relabeling, is that 7 correct? 8 MR. HAMERMAN: Objection. 9 A. Given the confidence we have in 10 CFDR, I would say the labeling is fairly 11 accurate. I can -- I do not know if it was 12 entirely accurate based on the interpretation 13 of what the blanket lien related to. 14 (Exhibit 17, document entitled 15 "Final Order" marked for identification, 16 as of this date.) 17 Q. I'm only going to be asking you 18 about Exhibit A to that document and I'll 19 give you time to review it after I ask my 20 specific questions. 21 I'm going to use that in tandem 22 with the committee complaint, the text of the 23 committee complaint, so if you want to just 24 pull that out. Can you turn to page 17 of 25 the complaint, please.</p>	<p>1 2 Can you read paragraph 96, please. 3 MR. ENGELHARDT: That's not on page 4 17. 5 MS. NEWMAN: I'm on page 17. 6 MR. ENGELHARDT: Are you looking at 7 the numbers at the top or the bottom? 8 MS. NEWMAN: On the bottom, are 9 there numbers on the top of the 10 complaint? I don't have a -- I don't 11 have a docketed copy. So it is 17 on the 12 bottom. 13 MR. HAMERMAN: I am sorry, where 14 are we looking? Paragraph 96 or page 17? 15 MS. NEWMAN: Paragraph 96. I think 16 it is page 17 on the bottom. 17 MR. HAMERMAN: Mine is page 17 at 18 the top of the document. 19 MS. NEWMAN: I don't know why my 20 numbering is different. As long as it is 21 paragraph 96. OK. 22 Q. So this paragraph identifies 23 certain -- or defines the term "unencumbered 24 real property," do you see that? 25 A. Yes.</p>
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<p>1 2 Q. If you actually turn to schedule 3 2 -- I'm sorry, not in the DIP order. It 4 should be in this pile right here, schedule 2 5 to the complaint. It lists the real property 6 falling within the committee's definition of 7 unencumbered real property. Do you see that? 8 A. Yes, I do. 9 Q. Do you know if anyone at ResCap has 10 worked with the committee to identify the 11 real property listed on 2? 12 A. I do not know. 13 Q. Do you know whether there are 14 mortgages that exist in favor of the JSNs in 15 connection with the real property listed on 16 schedule 2? 17 A. I do not know. I could speculate 18 on some of this. 19 Q. OK. Why don't you share with me 20 what your speculation is. 21 MR. ENGELHARDT: Objection to form. 22 A. Real property -- I apologize, I was 23 actually thinking of primary collateral as 24 opposed to JSN possible blanket lien. So I 25 withdraw.</p>	<p>1 2 Q. OK. Do you know of any reason, as 3 you sit here today, why there would -- why it 4 would be the case that there are no mortgages 5 in favor of the JSNs in connection with the 6 real property listed on schedule 2? 7 MR. ENGELHARDT: Objection to form. 8 MR. HAMERMAN: Objection to form. 9 A. All right. Under the terms of the 10 revolver, there was, there is primary 11 collateral and there was blanket lien 12 collateral. With respect to the -- and those 13 documents, including the PSA, we granted 14 liens on that collateral and we agreed to do 15 as a company what was requested of us to 16 perfect. 17 Just because a lien was granted 18 didn't mean it was necessarily perfected. 19 And in the course of -- case of real 20 property, it doesn't necessarily mean that 21 there was ever a request made to put a 22 mortgage on it or to otherwise demonstrate 23 that lien. 24 There was a brief period of time 25 relating to some of the BCG which was really</p>

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<p>1 2 more the commercial construction groups to 3 put mortgages on some assets in favor of Ally 4 and of the JSNs, the second -- first, second, 5 third liens. That was relatively 6 short-lived, and it was quite cumbersome as 7 properties were being sold. 8 But to my knowledge, there was no 9 other request coming from Ally or the JSNs to 10 put mortgages or do anything else other than 11 the initial grant where the lien would 12 automatically apply to the properties coming 13 in if the assets were described in the 14 granting clauses by the grantors and weren't 15 subject to excluded assets or lien releases 16 otherwise. 17 Q. Can you turn back to paragraph 103 18 of the complaint, please. Do you see that 19 that paragraph references Exhibit A to the 20 AFI DIP order? 21 A. Um-hm. 22 Q. And that is the document that you 23 have in there in front of you. Do you know 24 if the real property listed on schedule 2 to 25 the complaint is reflected in the revolver or</p>	<p>1 2 blanket columns on this Exhibit A to the AFI 3 DIP order? 4 MR. ENGELHARDT: Objection, 5 objection to form. 6 MR. HAMERMAN: Objection. 7 A. My understanding is that whatever 8 real property the company had as of the 9 filing date was reflected within CFDR, and so 10 if this were created off of CFDR and that 11 information had been back-dated to 2/29, then 12 whatever property was out there at that time 13 would be reflected here. 14 I don't know if that is a full 15 listing of everything the committee put on or 16 if that is not. 17 So you may have some timing 18 differences between the two, and I do not 19 know whether or not the statement that the 20 assets -- that the real property are in the 21 revolver and blanket categories. Even if 22 they are in the revolver and blanket 23 categories, again, doesn't mean there was a 24 mortgage on it, doesn't mean it was 25 perfected. It just means that the company</p>
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<p>1 2 believed that it was subject to it. 3 If it was Ally revolver, that 4 property would have been primary collateral 5 for the purposes of calculating the value of 6 the facility, the reporting, things like 7 that. And, you know, subject to the other 8 requirements there. 9 If it was under blanket, it meant 10 that the company believed as of the time it 11 entered blanket that it was subject to the 12 blanket lien. It not mean it was perfected. 13 Q. If you turn and look again at 14 schedule 2, do you know if the -- well, 15 first, let's look at the owned real property 16 which are the two rows at the top of the 17 page. Do you know if these two interests in 18 property were reflected in the CFDR as Ally 19 revolver or blanket? 20 A. I do not. 21 Q. And then with respect to the 22 leasehold interests listed below, which carry 23 on for a few pages, do you know if those 24 leasehold interests were reflected in the 25 CFDR as revolver or blanket?</p>	<p>1 2 A. I do not. 3 Q. OK. If I wanted to find out the 4 answer to that, those questions, who would 5 I -- who at the debtors would be the most 6 knowledgeable on that topic? 7 A. That again would be Barb. Please 8 note that they would not be in the CFDR if 9 they did not have any value associated with 10 them, similar to pay-off and charge-offs. 11 Q. OK. 12 A. And -- 13 Q. So how would I, I think you will 14 notice that in schedule 2 there, I don't 15 believe there are any values listed. How 16 would I go about figuring out what the value 17 attributed to these interests in property is? 18 A. I would speak to someone in finance 19 or to Barb. 20 Q. And are there particular databases 21 or documents that I could look at that might 22 have that information? 23 A. It would be in a CFDR if these 24 assets were in the CFDR and it would be in 25 the ledger if not. Or frankly, it would be</p>

1 in the ledger even if it was in the CFDR.

2 Q. Can you turn please to paragraph
3 110.

4 A. OK.

5 Q. 110 alleges that the rows entitled
6 "cash" and "cash equivalents" and other
7 assets in the blanket column on Exhibit A to
8 the AFI DIP order includes asset or include
9 assets owned by the debtors that -- for
10 debtors that have not guaranteed the junior
11 secured notes and it goes on. I think you
12 read it before.

13 Do you know if it is true that the
14 cash and cash equivalent and other asset
15 column, other asset rows listed in the
16 blanket column on Exhibit A to the AFI DIP
17 order includes assets owned by what's defined
18 as nonobligor debtors in paragraph 110 of the
19 complaint?

20 MR. ENGELHARDT: Objection.

21 MR. HAMERMAN: Objection to the
22 form.

23 A. Would you restate that one more
24 time.
25

1 Q. I can try and why don't we take it
2 in pieces.

3 Paragraphs 110 and 111 identify
4 what are alleged to be nonobligor debtors.
5 Do you see that?

6 A. I do.

7 Q. And there is an allegation in
8 paragraph 110 that assets owned by the
9 nonobligor debtors are included or the value
10 of assets owned by the nonobligor debtors are
11 included in the blanket column of the -- of
12 Exhibit A to the AFI DIP order. Do you know
13 if that is true?

14 MR. ENGELHARDT: Objection.

15 MR. HAMERMAN: I join in that
16 objection.

17 A. I do not know if that was true.

18 Q. Can you please turn to paragraph
19 166. I'm sorry, actually. Why don't you
20 read first paragraphs 160 through 163.

21 A. OK.

22 Q. And paragraph 171.

23 These paragraphs allege that there
24 are certain deposit accounts in which the
25

1 JSNs do not have or for which the JSNs do not
2 have deposit account control agreements. Do
3 you understand that?

4 A. Yes.

5 Q. And if you turn to schedule 5, that
6 lists the accounts that are subject -- that
7 are the subject of that allegation. Would
8 you take a look at that and let me know when
9 you're through, please.

10 A. OK.

11 Q. Sitting here today, do you know
12 whether there are deposit account control
13 agreements in favor of the JSNs with respect
14 to the deposit accounts listed on schedule 5?

15 A. I don't know if there are control
16 agreements in place of these specific
17 accounts.

18 Q. Has anyone at ResCap had any
19 conversations about whether this is the
20 case -- about whether there are deposit
21 account control agreements in favor of the
22 JSNs with respect to the deposit accounts
23 listed on schedule 5 with the committee or
24 any of its advisors?
25

1 A. To my knowledge -- I don't know
2 whether they have had conversations with the
3 committee or any of their advisors outside of
4 the two days I spent in prep.

5 Q. Thank you for the clarification.

6 Do you know if the funds listed on
7 schedule 5 are reflected in either the Ally
8 revolver or blanket columns on Exhibit A to
9 the AFI DIP order?

10 MR. ENGELHARDT: Objection.

11 A. They would not be reflected in the
12 Ally revolver. I am not sure if they are in
13 the blanket or not.

14 MS. NEWMAN: OK. Let's just take a
15 two-minute break. I don't think I have
16 anything else, but I just want to confer.

17 THE VIDEOGRAPHER: The time is now
18 3:30 p.m. We are now off the record.
19 (Exhibit 18, notice of deposition
20 of ResCap marked for identification, as
21 of this date.)
22

23 - - -

24 THE VIDEOGRAPHER: The time is now
25 3:38 p.m. We are now back on the record.

EXAMINATION BY
MR. BAUMSTEIN:

Q. Good afternoon, Ms. Farley. My name is Doug Baumstein. I am an attorney at White & Case. We represent the junior secured noteholders or ad hoc group of junior secured noteholders. Thank you for your patience today and hopefully we won't be too much longer.

I have handed you what has been marked as Farley Exhibit 18. It is a copy of the 30(b)(6) notice that my client, the ad hoc group of junior secured noteholders, served on the debtors.

MR. ENGELHARDT: Counsel, did I get a copy?

Q. First of all, have you seen this document before?

A. No.

Q. Could you take a look at -- do you understand that you are here to testify as to topics 3 and 16 as identified herein?

A. Yes.

Q. And did you talk to anyone at

ResCap with respect to either of the subjects in 3 or 16 of this Rule 30(b)(6) notice?

A. It's -- the only conversation I had was a very short conversation with Joe Ruhlin.

Q. And what was the topic of your conversation with Mr. Ruhlin?

A. Basically the fact that when he took over management of the group from me, that he assumed the processes for lien release as in place and didn't change them.

Q. And when did Mr. Ruhlin take over the processes for the lien releases?

A. That particular -- Joe assumed my managerial responsibilities sometime during -- gosh, I don't even remember, to be honest with you, 2010 or 2011. The processes were set at that point and there was no change.

Q. OK.

A. And I continued to work really closely with he and his group.

Q. With respect to lien releases, you said you were in charge of that process prior

to Mr. Ruhlin, is that accurate?

A. Yes. I established the lien release processes when the revolver initially took place. I worked with the operations and treasury group to insure they understood them. I handled the lien release processes until the structured people were up to speed. I handled a number of lien releases after the fact, but it became a very routine process done by operations people, at least as the automatic releases occurred.

And so Joe would have assumed responsibility of that role, but it wasn't like he was actually doing the releases, as I wasn't either, and if there were questions when he was managing that group about them, I was still there.

Q. OK. That's actually very helpful.

Why don't we go to the -- and actually, let's use the document as a talking point. Why don't we go to that talking point right here.

(Exhibit 19, document Bates stamped

RCUCCJSN 10339000 through 9001 marked for

identification, as of this date.)

Q. Do you recognize what has been handed to you as Farley Exhibit 19?

A. I see it's an e-mail with an attachment to it.

Q. And is this an e-mail that you wrote to Joe Ruhlin on or about August 11, 2010?

A. It seems to be.

Q. And what is the subject of the e-mail?

A. It's basically a summary of the terms of the junior secured bonds as it relates to the collateral.

Q. This e-mail is dated August 11, 2010. Does this refresh your recollection when Mr. Ruhlin took over responsibility for lien releases?

A. No.

Q. In the attachment, is this an attachment that you prepared?

A. It appears to be.

Q. OK. And it says, under lien releases that, "Lien releases required for

1 the sale of both primary and supporting
2 collateral, as well as collateral subject to
3 the blanket lien."

4 First of all, did I read that
5 correctly?

6 A. Yes.

7 Q. What do you understand to be the
8 meaning of what I just read to you?

9 A. That when ResCap sold assets which
10 were primary collateral or collateral used to
11 support the value of the revolver and the
12 liens and as to which there were a whole host
13 of restrictions, that required a lien release
14 under the junior bondholders, the junior and
15 senior bondholders at the time.

16 The supporting collateral as
17 defined in the revolver also required the --
18 the sale of supporting collateral also
19 required lien releases, and if collateral
20 were subject to the blanket lien, that also
21 required lien releases under the JSNs.

22 Q. Did ResCap also understand that
23 lien releases were required before there were
24 any other dispositions of collateral?
25

1 A. I'm not sure I understand your
2 question.

3 Q. Well, what are the circumstances
4 where assets that are previously pledged to
5 the JSNs would be released?

6 MR. HAMERMAN: Objection to form.

7 A. Every time that assets were
8 primary, supporting, or blanket, and every
9 time those assets were sold or moved to a
10 bilat, a security release would have to be --
11 a lien release would have to be accomplished.

12 Q. OK. And could you describe the
13 process -- when you said moved to another
14 facility, does that also include the AFI
15 letter of credit?

16 A. Yes.

17 Q. Could you describe the process by
18 which lien releases would be effected by
19 ResCap?

20 A. There were two different processes.
21 There was a group of collateral that -- there
22 were requirements under the revolver which
23 allowed for the automatic lien release of the
24 first lien in certain circumstances.
25

1 Largely those were sales to the
2 agency, sales in normal practice under a
3 hundred million. There were several
4 categories there. So if that was the
5 situation, what would happen would be within
6 the treasury group, we would get -- we would
7 have knowledge of all the sales occurring
8 within the various business groups. And as
9 those -- as the assets which were to be sold
10 were identified, we would get the asset lists
11 within the treasury group.

12 We would basically continue to
13 monitor that because assets would sometimes
14 fall out, there was movement of assets prior
15 to the actual sale. But we would bounce that
16 list up against the CFDR to determine if --
17 what facilities the assets were pledged to,
18 and it might be the revolver, it might have
19 been the Lehman facility. But we would
20 determine that and we would determine what
21 was unpledged.

22 We would also alert other people
23 within the firm -- namely, the legal
24 department -- that there was a release
25

1 coming. This -- at the time that the asset
2 listing was final, we would basically take
3 that asset listing, again, run it against the
4 CFDR, determine what was on what facility.

5 If it was, if it was labeled the
6 revolver, as primary supporting collateral,
7 or if it was labeled unpledged, we would
8 basically create a listing for that and then
9 we had developed an officer certificate to
10 which that listing was attached. That
11 officer certificate was in the form required
12 under the indenture.

13 It did have a requirement in there
14 that the terms of the indenture be complied
15 with. Whoever the structuring person or
16 myself would basically insure that was the
17 case, and particularly the fair value
18 component by talking to the business
19 individual, sometimes we got -- sometimes we
20 had some, you know, very interesting
21 conversations and a lot of documentation
22 around that to insure it.

23 We would sign that certificate with
24 the loans attached to it. That would then go
25

1 down to the legal department. The legal
2 department had developed opinions based on
3 the forms attached to the indentures. Those
4 opinions would be created, reviewed.
5

6 When they were comfortable -- I
7 mean, obviously if there were questions, we
8 would address those, and then those would be
9 sent off, e-mailed, faxed and then Fed-Ex'd
10 to Wells Fargo and U.S. Bank.

11 Q. All right. And just for the
12 record, who are Wells Fargo and U.S. Bank in
13 this scenario?

14 A. U.S. Bank was a trustee. Wells
15 Fargo was the collateral agent. So that's
16 the automatic release process and that
17 happened at times daily.

18 Q. And when you say that happened at
19 times daily, does that mean that every day,
20 there was a new listing sent off to Wells
21 Fargo of specific loans to be released?

22 A. Yes.

23 Q. Why don't we mark -- I'm going to
24 mark two things at once here.

25 A. At some point early on, the legal

1 department may have changed that to weekly,
2 so that all of the asset sales happening
3 during the course of that week were included
4 in a single opinion.
5

6 Q. OK, why don't we mark these as
7 Exhibit 20 and 21. 20 will be the one with
8 Bates stamp 401 and 783 will be 21.

9 (Exhibit 20, document Bates stamped
10 RCUCCJSN 11889401 through 11 marked for
11 identification, as of this date.)

12 (Exhibit 21, document Bates stamped
13 RCUCCJSN 11888783 through 858 marked for
14 identification, as of this date.)

15 Q. I've marked for you two packages
16 of -- well, I guess they are both really
17 e-mails with attachments which seem to show
18 some of the exhibits you just described.

19 I also will represent to you, based
20 on our review of the CFDR database, some of
21 the loans identified in the Exhibit As here
22 were eventually repledged at some point to
23 the AFI LOC.

24 So -- but having looked at this,
25 are these the types of lien releases you just

1 described in your testimony that were
2 executed in the ordinary course?

3 MR. ENGELHARDT: Objection to form.

4 MR. HAMERMAN: Objection to form.

5 Q. Strike that.

6 Were these the type of documents
7 that were executed in the ordinary course to
8 effectuate releases of collateral that was
9 pledged to the revolver?
10

11 MR. ENGELHARDT: Objection to form.

12 A. These are examples of the lien
13 releases effectuated in connection with these
14 sales or movements to bilats that were
15 automatically released from the first lien.

16 The other point I would like to
17 make is what is attached as the exhibit of
18 the assets being released, there is -- there
19 may or may not be primary as the sale may not
20 have included primary. And we decided, I
21 decided early on as we set these processes
22 up, that we would release -- we were tracking
23 assets on the facility. Anything else that
24 was not on a facility was unpledged.

25 In order to make this operationally

1 feasible, every time we had a sale, we would
2 produce asset listings that included the
3 primary collateral which would include
4 supporting, but -- well, I don't -- take that
5 back about supporting.
6

7 It would include primary collateral
8 and it would include all assets in that sale
9 that were labeled as unpledged. There was no
10 independent investigation because unpledged
11 didn't necessarily mean it was pledged. But
12 we made the determination that we were better
13 off releasing collateral that wasn't subject
14 to the lien because it would have no effect
15 than we were trying to set up even more
16 complicated processes and not releasing liens
17 on collateral that was subject to the blanket
18 lien because that would have consequences.

19 So the attachments are all of the
20 assets that were in the sale that were
21 primary collateral or unpledged.

22 Q. OK.

23 A. And this is, again, this is the
24 release process with respect to those asset
25 sales as to which the revolver automatically

1 released its interest.

2 Q. And I'll talk to you about
3 nonautomatic releases in a second, so I
4 understand what that consequence is, but just
5 looking at these then, these, the annex A is
6 the listing by loan numbers of the specific
7 assets that are either primary collateral or
8 unpledged collateral which, as you said,
9 likely but not definitely would have been
10 pledged to the revolver, is that accurate?

11 MR. ENGELHARDT: Objection to form.

12 Which annex A are you referring to?

13 MR. BAUMSTEIN: Both actually.

14 A. I'm not sure. As with any given
15 sale, I could say the unpledged was likely
16 blanket lien. It could well have been, but I
17 can't make that categorical statement.

18 Q. Now, earlier in your testimony
19 today, you talked about how CFDR -- that then
20 listings of loans would then be uploaded on a
21 template and then reflected on the CFDR?

22 A. Yes.

23 Q. So would there be, with respect to
24 the annex As that are set out here, would
25

1 these then be uploaded on a template and then
2 loaded into the CFDR in the ordinary course?

3 A. Yes.

4 Q. And am I also correct that that
5 reconciliation takes place within a month of
6 each one of these lien releases being
7 effectuated?

8 A. There was -- there was always a
9 check at the time the lien release was done
10 because we were getting the collateral lists
11 directly from the business. So we had the
12 final collateral lists. Generally they were
13 the collateral lists that were attached to
14 any sale documentation or that were, you
15 know, kind of the evidence of the sale if you
16 will. So we had that separately from the
17 business unit.

18 If we were to go into the CFDR and
19 it hadn't been uploaded yet, we would know
20 that. Right. That was really more of a
21 situation with the LOC. But we would know
22 that. We had an independent check and
23 monitored that.

24 At the end of every month, as part
25

1 of the month-end financial processes, there
2 was a -- and the business was to have
3 uploaded on a real-time basis.

4 At the end of every month, the
5 business would upload its entire asset list
6 and that would go up and then that is what
7 was reconciled to the reporting that was done
8 under the revolver during, you know, it was
9 really the first probably five to eight
10 business days after some of -- everything had
11 been done from month end.

12 So it would have been within five
13 days if the sale was at the end of the month.
14 It would have been the full month if the sale
15 was at the beginning.

16 So there were processes in the
17 interim and then there were processes at the
18 end.

19 Q. I understand. So -- or at least I
20 think I understand.

21 So initially the business unit
22 would identify with a specific list of loans
23 which loans were to be shown as being
24 released under the CFDR because of sale or
25

1 transfer or for whatever other reason, and
2 then at month end, your group would then go
3 in and check that that process accurately
4 reflected the transaction. Is that a fair
5 characterization of what you described?

6 MR. ENGELHARDT: Objection to form.

7 MR. HAMERMAN: Objection to form.

8 A. Not quite. If it was a sale, there
9 was the relationship between treasury and
10 business getting -- the asset list from the
11 business group.

12 Upon completion of the sale, the
13 business group would upload the template into
14 CFDR and we would execute the lien releases,
15 provide -- we would execute the documentation
16 relating to the indenture lien releases and
17 provide them to the lawyers who would then do
18 their opinions and send that off.

19 At the end of the month, the
20 businesses would upload the complete listing.
21 That would go into the CFDR. There would be
22 a comparison of the ledger to the -- to what
23 the businesses uploaded to confirm that was
24 the case. The work behind the monthly
25

1 reporting would be done. We would sit down,
2 and it would be myself, when Melissa ran the
3 group, Melissa. When Melissa didn't run the
4 group, just me, perhaps Mike, a structuring
5 person I had as key on this and then the ops
6 people and finance people.

7 And we would take what was showed
8 as all the collateral on the revolver from
9 the month before and what we had on all the
10 collateral on the revolver that month and we
11 would look to see what the differences were
12 and there should have been a template
13 uploaded to reflect any differences or
14 reductions as a result of a sale because we
15 could tell by just the various categories how
16 the assets and why the assets had moved.

17 That process was a SOX process as
18 well because -- so we had to identify the
19 risks and controls. So it wasn't just us
20 putting together the processes which were
21 really very robust. It was that.

22 Q. And this process was undertaken in
23 the ordinary course with respect to every
24 automatic release of collateral during your
25

1 time at ResCap, is that correct?

2 MR. ENGELHARDT: Objection to form.

3 A. Yes. One clarification being if it
4 was movement to a bilat that somehow fell
5 under an automatic release -- and I'm not
6 sure that was the case -- the business unit
7 would not have uploaded the template. We
8 would have done that out of treasury.

9 Q. In that circumstance, would the
10 template have been uploaded in more or less
11 real time?

12 A. Absolutely.

13 Q. Were there ever any exceptions to
14 following this procedure?

15 A. Not that I am aware of. The only
16 exceptions which really aren't exceptions I'm
17 aware of is there was consternation around
18 the timing early in 2008 because sales,
19 agency sales were happening every single day,
20 and so there were some glitches in terms of
21 sometimes it would happen a day or two later,
22 the legal group may have ultimately
23 determined just to do things once a month.
24 But no, this was followed with respect to
25

1 everything.

2 Q. And just to follow through, as I
3 said, not necessarily all, but at least some
4 of the mortgage loans identified in the two
5 exhibits I just handed you, we have been able
6 to identify as being subsequently pledged to
7 the AFI letter of credit, are you aware of
8 what the process is to have specific loans
9 pledged to the AFI LOC?

10 MR. ENGELHARDT: Objection to form.

11 A. Yes.

12 MR. HAMERMAN: Join in the
13 objection.

14 Q. What is that process?

15 A. The process of adding was basically
16 the population of assets we wanted to add to
17 the LOC was determined. If the asset group
18 would have been provided to AFI, so Ally
19 would have agreed that the loans could go on
20 and given us an advance rate associated with
21 that. There would have been a collateral
22 addition notice created and executed.

23 Upon the execution of that and the
24 addition of the collateral, we would have
25

1 uploaded a template into CFDR which indicated
2 the funding facility to be the LOC. We would
3 also have sent off information to the
4 business unit whom were responsible for the
5 various assets, indicating to them that they
6 were -- these assets were now subject to the
7 LOC, and then that was done real time and the
8 LOC reporting, we had daily reporting
9 requirements. So we always insured that the
10 documentation relating to that was uploaded
11 to CFDR for that day's reports.

12 Q. Under the AFI LOC, did you just
13 testify that AFI had to approve having
14 collateral added to the LOC? Was that what
15 you just testified to?

16 A. AFI had to price all of the
17 collateral that went on. And then went on to
18 the LOC in groups. So yes, AFI reviewed and
19 in essence approved.

20 Q. OK. You talked about this with
21 respect to automatic releases. What are --
22 what are nonautomatic releases? Could you
23 describe what the process is that was gone
24 through for any nonautomatic release of
25

collateral that was securing the revolver?

A. Sure. Those were typically larger sales or sales that for whatever reason didn't fall within the release parameters.

At that point in time, as we learned about the sale, I would send off an e-mail to Ally and -- or maybe it was a phone call to Ally and to Mayer Brown telling them that we had an upcoming sale, giving them the details to the extent I knew it.

We would work with the business units with respect to that sale -- again, to confirm that all of the requirements around fair value were met and there typically were a number of questions that Ally and Mayer Brown would ask.

So once we got everyone satisfied that the sale met the terms of the revolver, Mayer Brown typically -- early on, it might have been Skadden as well -- but Mayer Brown typically would prepare the documentation associated with the approvals and lien releases.

In that documentation typically

would be the directions to the collateral agent to release the collateral relating to the second and the third liens. Drafts of that would be sent around. Seward & Kissel and, you know, the -- I believe the Wells Fargo business folk were on, but Seward & Kissel really spoke for them, Mayer Brown and Skadden or whomever on our side was representing us would also get copies. I typically would get copies. I'm sure when Mike was doing it and Joe was his manager, Joe would also get copies.

Mayer Brown would prepare the UCCs. The lawyers would be responsible for getting the documentation including the UCCs signed up and those would be filed upon completion of the sale. Occasionally this process would be followed with the more automatic releases simply because the purchaser of the assets wanted evidence that the liens had been released.

With respect to putting new facilities up, which everyone knew we were going to do, that was the same process that

was followed.

Q. So with respect to the documentation for these larger sales of assets you described, would that documentation include listings of individual mortgage loans to be released pursuant to the sale or sold in that process?

MR. ENGELHARDT: Object to form.

MR. HAMERMAN: Objection to form.

A. Perhaps. We always sent off the lists of the individual assets and a description of what they were. The attachments to the UCC were decided upon by Mayer Brown in -- possibly in consultation with the other law firms involved.

So we would not be involved with what the attachments were. We just would be to the extent we knew it was happening and were monitoring it's happening so we could effectively close the transactions within the firm and then we would upload, of course, the templates or confirm the templates were uploaded to CFDR and the normal process would take place there.

Q. The templates that you are identifying in that circumstance, those would have individual loan detail, correct?

A. Yes.

Q. Are you aware whether Mayer Brown would have sent Wells Fargo or their representatives individual loan detail for any of these larger sales?

A. I do not know.

Q. Do you know whether -- when you're talking about larger sales, are you talking about sales for which a UCC3 was filed?

MR. ENGELHARDT: Objection to form.

MR. HAMERMAN: Join in the objection.

A. Not necessarily. When I say larger sale, sales, and it's, the bilats, it really means sales or transactions that did not meet the automatic lien release requirements of the revolver.

Typically they were larger sales, but not always. They might be sales of assets that don't fit within a nonordinary course type of sale. So it's not necessarily

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<p>1 just the larger sales. 2 And I think I have lost my train of 3 thought so what was your question? 4 Q. Whether each of these, what I'll 5 call nonautomatic sales was accompanied by a 6 UCC3 at the time of the transaction? 7 MR. HAMERMAN: Objection, again. 8 Same objection. 9 A. I think they generally were, but 10 that was not a decision the company was 11 involved with. That was really again run by 12 Mayer Brown and the lawyers associated with 13 the transaction. 14 Q. Are you aware of any releases or 15 pledged mortgage loans -- strike that. 16 Are you aware of any releases of 17 loans that had been previously pledged to the 18 AFI revolver that were not supported by an 19 individualized schedule of mortgage loans to 20 be released under the revolver? 21 MR. ENGELHARDT: Objection to form. 22 MR. HAMERMAN: Objection to the 23 form. 24 A. I'm not sure what you mean by 25</p>	<p>1 "supported by." I am not aware of any 2 transaction as to which an individual asset 3 list was not either through the automatic 4 release process attached to the business 5 certificate or with respect to the other 6 process which was not provided to the 7 attorneys. 8 I am -- I am aware that often, 9 Mayer Brown determined to put text on the 10 UCCs and I don't think they necessarily 11 attached the individual asset list to them. 12 But again that was a Mayer Brown 13 determination. 14 Q. And if -- 15 A. And not ours. 16 Q. To the extent that a transaction 17 result was consummated -- strike that. 18 To the extent that a transaction 19 ultimately resulted in a UCC3 being filed, 20 would any of the releases of collateral in 21 connection with that transaction have taken 22 place and been recorded on CFDR within a 23 month of that transaction? 24 A. Yes. 25</p>
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<p>1 MR. HAMERMAN: Objection. 2 A. They should have been recorded 3 within a few days. Obviously, the validation 4 process would have happened at the end of the 5 month with the close of the books. 6 Q. Was there any -- did anyone at 7 ResCap have authority to change the markings 8 of which facility assets were securing absent 9 there being a specific lien release 10 supporting that? 11 MR. ENGELHARDT: Objection to form. 12 MR. HAMERMAN: Objection, objection 13 to the form and to the extent it calls 14 for a legal conclusion. 15 A. Could you repeat that, please. 16 Q. Sure, did anyone at ResCap have the 17 authority to change the markings in the CFDR 18 of which facility certain assets secured 19 absent there being a specific lien release 20 with mortgage that identified the mortgage 21 loans to be released? 22 MR. ENGELHARDT: Objection to form. 23 MR. HAMERMAN: Same objection. 24 A. The only method -- and this may 25</p>	<p>1 have changed just before the filing date -- 2 the only means by which an asset could be 3 updated to reflect a sale or a new facility 4 was through the templates. 5 Q. And does -- are those templates 6 consistent with the documents used in 7 connection with obtaining any releases, 8 mortgage loans under -- that serve as 9 collateral under the revolver? 10 MR. ENGELHARDT: Objection to form. 11 MR. HAMERMAN: Join the objection. 12 A. The data came from the same place. 13 The data was consistent. The template had 14 three to four fields for each asset. 15 Minimally. That -- for each asset for which 16 a template was uploaded. 17 With respect to the lien releases, 18 again, it would be the same base source for 19 the data having been used, but with the lien 20 releases, we just put on typically the asset 21 number. 22 Q. I got it. So there is actually 23 more information in the template? 24 A. Yes. For the loan -- 25</p>

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<p>1 2 Q. Does ResCap maintain the lien 3 releases in the ordinary course of its 4 business? 5 A. No. John Ruckdaschel who is an 6 attorney who executed a large number of the 7 lien releases and a paralegal who worked for 8 John, she, as a matter of course, maintained 9 the automatic lien releases in a file and 10 that was provided with the discovery. 11 She also, as a matter of course, 12 more for John's personal back-up, once it was 13 printed out, she would attach the Fed Ex 14 receipt to it, staple it and throw it in a 15 box. And that box was also provided. 16 Q. So to the extent there are releases 17 that -- of collateral that was previously 18 identified in the CFDR as being pledged to 19 the revolver, is it your testimony that 20 ResCap has turned such -- all such releases 21 over to it's attorneys for production in this 22 case? 23 MR. ENGELHARDT: Objection to form. 24 A. To my knowledge, yes. 25 Q. And are there any -- to the extent</p>	<p>1 2 that assets were previously identified as 3 being pledged to revolver are not supported 4 by a -- an identifiable lien release, is 5 there a basis by which those such loans could 6 have been released absent there being any 7 documentation supporting it? 8 MR. ENGELHARDT: Objection to form 9 and to the extent it calls for a legal 10 conclusion. 11 MR. HAMERMAN: Objection to form. 12 A. I think I'm confused by your 13 question. Could you please restate. 14 Q. Sure, let me take a step back. 15 A. OK. 16 Q. There are certain, as you know, the 17 CFDR is -- do you agree that the CFDR 18 contains data on individual loans? 19 A. Yes. 20 Q. And those -- that, those loans 21 either identify sometimes primary collateral, 22 sometimes it says unpledged, which I 23 understand is assumed to be secondary 24 collateral but may not be, and sometimes it 25 says AFI LOC as the case may be or some other</p>
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<p>1 2 facility. Is that right? 3 MR. ENGELHARDT: Objection to form. 4 MR. HAMERMAN: Objection. 5 A. That's correct. 6 Q. We identified certain -- for 7 example, I handed to you certain lien 8 releases that you talked about as being part 9 of the automatic releases and there were 10 lengthy releases there and those identified 11 mortgage loans that I believe in the CFDR 12 were indicated as having previously been 13 pledged to the revolver? 14 A. At the time this would have been 15 created, each of these asset numbers would 16 have been in the CFDR with a notation that it 17 either was the revolver collateral which was 18 primary or it would have been noted as 19 unpledged. 20 So this is a list of all assets in 21 the sale that were either revolver or 22 unpledged at the time of its -- the creation. 23 Q. And in addition to those loans, 24 there were lots of assets that are identified 25 in the CFDR as being pledged, either</p>	<p>1 2 unpledged or primary collateral to the 3 revolver, is that right? 4 MR. ENGELHARDT: Objection to form. 5 A. That's correct, but they would not 6 have been the subject of this particular 7 sale. 8 Q. Of course. And then some of those 9 assets, some assets that, over time, by 10 looking at the CFDR, we have identified some 11 loans that have been -- were showed at one 12 time to have been either unpledged or to have 13 been primary collateral and at a subsequent 14 time are shown to be pledged to the AFI LOC. 15 Do you understand that? 16 A. Um-hm. 17 MR. ENGELHARDT: Objection to form. 18 MR. BAUMSTEIN: It wasn't a 19 question. I guess do you understand, 20 that is a question. 21 Q. In order for a loan to be pledged 22 to the AFI LOC that had been previously 23 pledged to the revolver, is it your 24 understanding that there would have been a 25 lien release identification by loan number</p>

1
2 executed with respect to such loan?

3 A. Yes.

4 MR. ENGELHARDT: Objection to form.

5 MR. HAMERMAN: Objection.

6 A. Yes.

7 Q. And that's how ResCap managed the
8 lien release process in its ordinary course,
9 is that correct?

10 MR. HAMERMAN: Objection.

11 A. The entire conversation, but yes.

12 Q. Exactly, you would take the
13 release, it would be uploaded through a
14 template, you would then, at month end, make,
15 do your reconciliations?

16 A. The lien release process --

17 MR. ENGELHARDT: Is that a
18 question?

19 A. Sorry.

20 Q. Is there anything else that you
21 would like to explain about the lien release
22 process?

23 A. I just wanted to clarify what you
24 just said. The lien release process itself
25 was the matching of the asset list that was

1
2 being sold or transferred to a bilat,
3 comparison of that final asset list to
4 determine what facilities from which liens
5 needed to be released or the unpledged
6 assets, and then it was the creation of the
7 business certificates attaching the list of
8 those assets that we determined, using the
9 CFDR, delivering it to the legal group, the
10 legal group sending the e-mail or the fax
11 followed by the Fed Ex to Wells Fargo and to
12 the trustee.

13 With respect to the nonautomatic
14 sales, the process was really Mayer Brown
15 running it, getting the signatures, doing
16 whatever filing they determined was necessary
17 in conjunction with the other lawyers
18 associated with it. That was the process.

19 Everything else we discussed was
20 how to insure that the CFDR accurately
21 reflected the happenings and that the
22 business units knew what was happening so
23 that they could continue to let us know and
24 keep us involved as they did things so that
25 we could insure that things were being

1
2 complied with.

3 Q. OK.

4 A. And to insure we could satisfy our
5 own obligations.

6 Q. And when you say the CFDR is
7 reflected -- the happenings, those -- if we
8 didn't have the CFDR, could you reconstruct
9 the happenings by looking at the loan
10 releases themselves?

11 MR. ENGELHARDT: Objection to form.

12 MR. HAMERMAN: Objection.

13 A. I think you could reconstruct it
14 going to the ledger. I think it would be
15 difficult but not impossible to deal with the
16 loan releases themselves.

17 Q. But that's -- but the loan releases
18 themselves would, in fact, have enough
19 information to figure out what -- what -- if
20 an asset had been pledged and it later moved
21 over, it would show it had been released
22 prior to such repledging, is that correct?

23 MR. ENGELHARDT: Objection to form.

24 MR. HAMERMAN: Objection to form.

25 A. If you had a complete listing of

1
2 the lien releases which the collateral agent
3 should have and U.S. Bank also should have
4 because they were always party to them or
5 they were always being sent them, you should
6 be able to, asset by asset, go through and
7 determine every single asset that was
8 released.

9 MR. HAMERMAN: If you are moving on
10 to the next topic, this is where I will
11 jump off.

12 MR. BAUMSTEIN: I am. I may have
13 things that touch on it, but I think it
14 is going to be different.

15 MR. HAMERMAN: Regrettably, I have
16 to leave. I guess the record will
17 reflect that I'm gone at this point. The
18 committee's attorneys, other committee's
19 attorneys are still here.

20 (Exhibit 22, document Bates stamped
21 RCUCJSN 10292807 through 808 marked for
22 identification, as of this date.)

23 Q. I've handed you what has been
24 marked as Farley Exhibit 22 which appears to
25 be an e-mails between you and Sue Bode. Do

1
2 you recognize this document at all?

3 A. I saw it during my prep.

4 Q. Is it correct that ResCap did not
5 have the ability to track the value of the
6 revolver collateral in the ordinary course?

7 MR. ENGELHARDT: Objection to form.

8 MS. GOODMAN: Objection.

9 A. That's incorrect.

10 Q. In the first e-mail you asked
11 Ms. -- I am sorry, you asked Ms. Bode, "Do we
12 know what the value of all the collateral
13 including that covered by the blanket lien is
14 under the revolver"?

15 A. Um-hm.

16 Q. Do you know why you were asking
17 Ms. Bode that question?

18 A. It appears from this e-mail,
19 Monday, June 29, it appears from this e-mail
20 that they were looking to see the aggregate
21 of all collateral covered by the blanket lien
22 including what the primary collateral was.

23 I knew we could go back into the
24 ledger and construct that which would be
25 possible. Not always an efficient easy

1
2 process, this is being done at the end of the
3 month. So I suspect I was looking to see if
4 they had set up a process whereby that
5 information could be easily and readily
6 obtained.

7 Q. So is it true that CFDR doesn't
8 allow for the readily ascertainment of the
9 value of all the collateral that supports the
10 revolver, is that correct?

11 MR. ENGELHARDT: Objection to form.

12 A. At this point in time, it did not
13 have the ability to break out the blanket
14 lien collateral and its value, as you recall,
15 the CFDR, it had the LOC collateral, it had
16 the revolver primary and supporting
17 collateral. It had unpledged, but what was
18 unpledged was not necessarily blanket lien,
19 and the unpledged collateral, some of the
20 blanket lien assets were not in categories
21 relating to revolver categories.

22 The grants you saw earlier
23 were some asset groups that we did not get
24 value for on the borrowing base on which we
25 were not primary collateral.

1
2 So some of those particular asset
3 groups at that time, since they were not part
4 of primary or supporting collateral, they
5 were not on any other facilities, they may
6 not have been added at that point to the
7 CFDR.

8 Q. At that time, how would you have
9 gone about determining all the nonprimary
10 collateral at -- maintained by ResCap?

11 MS. GOODMAN: Objection to form.

12 MR. ENGELHARDT: Objection to form.

13 A. I would have basically taken what I
14 could out of the CFDR, including anything
15 marked as unpledged at that time, I would
16 have gone to the general ledger, looked at
17 the complete asset list including asset level
18 detail.

19 I would have looked to see if the
20 assets in unpledged and any assets in the
21 ledger which were not reflected in CFDR were
22 covered by the blanket lien. And then I
23 would have looked to the value of those
24 assets as reflected in the detailed back-up
25 to the financial statements.

1
2 MR. BAUMSTEIN: Why don't we take a
3 minute to change the tape.

4 THE VIDEOGRAPHER: That is the end
5 of tape number 4. The time is now 4:29
6 p.m. We are now off the record.

7 (Recess)

8 THE VIDEOGRAPHER: This is the
9 start of tape number 5. The time is 4:36
10 p.m. We are now back on the record.

11 Q. Were all loans maintained by ResCap
12 tracked in the CFDR?

13 A. As of the time the revolver closed,
14 yes. Loans were there and servicing advances
15 were there.

16 Q. Was there any circumstances where
17 there would be loans that were not tracked in
18 CFDR?

19 A. I can't think of any. The only
20 situation might be a timing difference where
21 loans had been originated or purchased and
22 CFDR hadn't been updated during a week or two
23 period.

24 (Exhibit 23, document Bates stamped
25 RCUCCJSN 10721290 through 304 marked for

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<p>1 2 identification, as of this date.) 3 Q. I'll direct you toward the end, you 4 don't have to look at the whole document, 5 although you're -- there is a fair amount in 6 here. I'm actually going to direct you 7 toward the last four or five pages of this 8 document. 9 A. OK. 10 Q. So you can just tell me when you 11 have had a chance to review this. 12 A. If we are just going to the last 13 three or four pages, I've looked at that. 14 Q. Do you recognize the document that 15 that's been marked as Farley Exhibit 23? 16 A. I think we looked at this earlier 17 today. 18 Q. We looked at -- there are a lot of 19 similarities. It is hard to tell if it was 20 identical, but in the e-mail, it looks like 21 Randy Newman was sending at the end says, 22 "Here is a breakdown Matt found in the CFDR." 23 Do you see that, the July 17 e-mail 24 on Bates stamped 300? 25 A. Yes.</p>	<p>1 2 Q. And the first category says "not in 3 CFDR." 4 A. Um-hm. 5 MR. ENGELHARDT: Counsel, could you 6 tell me the Bates number, please? 7 MR. BAUMSTEIN: I am sorry, Bates 8 page 300 and 301. 9 Q. Do you know what was -- what "not 10 in CFDR" referred to? 11 A. From the subject, the sale related 12 to charged-off first liens. They would have 13 been removed from CFDR at the point in time 14 that we determined there was no longer any 15 value with respect to those assets, and it 16 would have come off of the accounting and 17 finance records as well. 18 Q. OK, so essentially, the reason that 19 these are, quote, not in CFDR is that they 20 were marked down for accounting purposes to 21 zero value? 22 MR. ENGELHARDT: Objection to form. 23 MS. GOODMAN: Objection to form. 24 A. That is correct, and there was no 25 longer any work done any of the assets.</p>
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<p>1 2 (Exhibit 24, document Bates stamped 3 AFI JSN 0000273 through 280 marked for 4 identification, as of this date.) 5 Q. One document starting with Bates 6 stamp AFIJSN 273. You can take a moment to 7 review. Just so you know, I'm going to focus 8 on the e-mail from Cecilia Laub dated 9 February 9, 2010 at 9:33 p.m. That starts on 10 page 278, and eventually, I will also ask you 11 a question, an e-mail from April 7 from you. 12 But I'll start with the Cecilia 13 Laub one from February of 2010. So take as 14 much time as you want though. 15 Have you had a chance to review the 16 document? 17 A. Yes. 18 Q. Do you recognize this document? 19 A. No. 20 Q. Having read it, there is the 21 subject makes reference to a BCG 22 intercompany. Do you understand what the BCG 23 intercompany is? 24 A. I do understand what I think this 25 reference is.</p>	<p>1 2 Q. And what is the BCG intercompany? 3 A. BCG is a description of the 4 business groups within ResCap relating to the 5 commercial and construction business. It's a 6 generic business label. For a number, a 7 large number of entities within that world. 8 It was very complex because -- let me just 9 preface this by saying whenever -- the BCG 10 world had a combination of properties, loans, 11 joint ventures, the list kind of goes on. 12 Whenever something went south and 13 it ended up being converted to an REO 14 property or a property owned, there was a new 15 SPE, if you will, created to hold that. And 16 monies within the BCG group transferred 17 ultimately up to the parent, but for -- we 18 had to basically establish a legal means 19 which by which monies could go because you 20 just don't send monies between different 21 entities. 22 So there was a whole series of 23 intercompanies created with monies flowing up 24 and back between all of the business group -- 25 business -- legal business entities within</p>

1 BCG.

2 So the intercompany refers to the
3 fact that you had all of these intercompany
4 lines in that business unit.

5 Q. By intercompany, you mean
6 intercompany credits and receivables among
7 these various SPVs and other entities that
8 were part of the BCG group?

9 A. Amounts paid and amounts owed.

10 MR. ENGELHARDT: I will give you a
11 little leeway on this intercompany, but I
12 think it is a phase two issue.

13 MR. BAUMSTEIN: I don't think there
14 is an issue on -- the valuation, we are
15 not getting into a valuation issue here,
16 I assure you. But certainly whether
17 there is a lien on them is part of this
18 case.

19 MR. ENGELHARDT: I think it is an
20 issue that affects more than just JSNs.

21 Q. Could you, by the way, looking at
22 the February 9 e-mail from Cecilia Laub, who
23 is Ms. Laub?

24 A. CeeCee was an individual who worked

1 in the ResCap treasury group. She was one of
2 the structuring individuals and I had given
3 her primary responsibility for the
4 international and BCGS banks of the line.

5 Q. On point one, it says, "The
6 intercompany debt that would not fit with the
7 current definition of excluded debt is
8 strictly caused by our operational (BCG
9 systems) to move cash around various BCG
10 entities."

11 First of all, do you know what
12 excluded debt refers to there?

13 A. Excluded debt, I believe, is a
14 defined term within the revolver.

15 Q. Do you know what the operational
16 constraints were that Ms. Laub was referring
17 to?

18 A. These were really cash management
19 or, you know, the cash operations
20 constraints. It's the cash system.

21 Q. By the way, what did you understand
22 excluded debt to be?

23 A. Without looking at the revolver at
24 this point, I couldn't give you a good

1 definition.

2 Q. Do you want to look at the
3 revolver? Would that help refresh your
4 recollection?

5 A. Do I want to?

6 Q. Well, let's see where we go first,
7 we may be able to avoid that. I really want
8 to focus on point 3.

9 MR. ENGELHARDT: I am sorry, with
10 what page are you on again?

11 MR. BAUMSTEIN: Page 279.

12 MR. ENGELHARDT: OK.

13 Q. It says, "Under our proposed
14 solution," Ms. Laub writes to you among
15 others, "we understand that the rationale for
16 the above restriction is to insure that the
17 intercompany, quote/unquote, lender has
18 encumbered the intercompany receivable in
19 favor of GMAC."

20 Did I read that correctly?

21 A. Yes.

22 Q. Did ResCap understand in February
23 of 2010 that the blanket lien under the GMAC
24 revolver would encumber intercompany

1 receivables?

2 MR. ENGELHARDT: Objection, I will
3 instruct the witness not to answer. I
4 think we need to go and check -- I would
5 like to see the statement of issues as to
6 whether this is covered specifically.

7 MR. BAUMSTEIN: I would -- well,
8 first of all, I don't think there is any
9 basis to instruct the witness not to
10 answer because she is also here in her
11 personal capacity.

12 I also think part of the what we
13 were discussing was ways not to have to
14 bring witnesses back more than once so we
15 could ask them questions.

16 MR. ENGELHARDT: No. What was
17 discussed specifically in court was that
18 the debtors in their electronic
19 production would make -- would include
20 phase two issues in that production.

21 However, with regard to
22 depositions, because the depositions
23 specifically -- because the intercompany
24 issue could affect the rights of other

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<p>1 2 creditors other than the JSNs and those 3 other creditors were not participating in 4 these depositions, those topics were not 5 to be covered in phase one depositions. 6 Those were specifically reserved for the 7 depositions in phase two. 8 MR. BAUMSTEIN: And I think -- and 9 I'm sure someone will pull it up 10 momentarily -- that for phase one was the 11 existence but not the value of any 12 intercompany obligations that may -- 13 MS. NEWMAN: How does the question 14 of whether the JSNs have liens and 15 intercompany balance differ from the 16 question of whether the JSN have any 17 other assets that -- 18 MR. ENGELHARDT: I would like -- I 19 would like to see the statement of issues 20 first. 21 MS. NEWMAN: We are having it 22 brought. 23 MR. BAUMSTEIN: Why don't we go off 24 the record then while we wait. 25 MR. ENGELHARDT: Sure, if I am</p>	<p>1 2 incorrect, I'm incorrect. I just want to 3 see the statement of issues. 4 THE VIDEOGRAPHER: The time is now 5 4:53 p.m. We are off the record. 6 (Recess) 7 THE VIDEOGRAPHER: The time is now 8 5:21 p.m. We are now back on the record. 9 MR. ENGELHARDT: Counsel, with 10 respect to the issue that you are 11 discussing, I'll allow some limited 12 examination into this document. I will 13 note that whether or not the JSNs have a 14 lien on intercompany claims is a matter 15 of law. So there will be a standing 16 objection that any such questions call 17 for legal conclusions. 18 I will also note that the witness 19 is not designated as a 30(b)(6) witness 20 on this topic, and in fact, there are no 21 30(b)(6) topics listed in the notices, I 22 believe, on this topic. 23 I will not allow any examination or 24 inquiry into the topics of valuation of 25 intercompany claims, and to the extent</p>
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<p>1 2 that any of the documents that you show 3 the witness discuss that valuation, I 4 will not allow testimony on those 5 portions of the documents. 6 MR. BAUMSTEIN: OK. Well, 7 obviously the witness is here in a 8 personal capacity as well which I will 9 point out for the record, I will now ask 10 the court reporter to reread the previous 11 question and republish it in the 12 transcript because I'm sure it has been 13 long enough that no one here to state it 14 exactly. 15 MR. ENGELHARDT: I would like to 16 apologize to the witness for the extended 17 break and thank her for her forbearance 18 during the past half hour. 19 (Record read as follows: "Did 20 ResCap understand in February of 2010 21 that the blanket lien under the GMAC 22 revolver would encumber intercompany 23 receivables?") 24 MR. ENGELHARDT: I am going to 25 object to the form of the question to the</p>	<p>1 2 extent it reads "ResCap," as the witness 3 is not a designated witness for ResCap on 4 this topic. 5 Q. You can answer. 6 A. We understood intercompany 7 receivables to be subject to the lien only if 8 they were part of the collateral that was 9 pledged by the grantor under -- the 10 applicable grantor, there were a number of 11 liens under the PSA and not otherwise subject 12 to an exclusion or prior release. 13 Q. And Ms. Laub wrote that, "We 14 understand that the rationale for the above 15 restriction" -- and she was talking about a 16 rationale. Did you understand it was an 17 intentional feature for the revolver to 18 create the lien on intercompany claims with 19 respect to guarantor, to grantors or 20 pledgors? 21 A. No. 22 MR. ENGELHARDT: Hold on, if I can 23 get a reference on that. I am sorry, I 24 lost the page where you were -- 25 MR. BAUMSTEIN: It was on page 279.</p>

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<p>1 2 A. OK. 3 Q. Did you ever correct anything 4 Ms. Laub said here about her understanding of 5 the rationale -- do you understand what 6 Ms. Laub meant by the rationale for the above 7 restriction? 8 MR. ENGELHARDT: Objection to form. 9 A. This was a very complex topic, 10 particularly because the number of BCG 11 entities that were associated with this. 12 You also have to know that CeeCee 13 was not a native English speaker. So 14 oftentimes her wording was not all that 15 precise, and so I suspect that I did probably 16 correct her. 17 Obviously, as she is talking in 18 here, she says, "Our proposal is to amend the 19 current definition to include any entity 20 subject to a blanket lien." That's not 21 really a concept. Our proposal was really 22 something different which is more clearly 23 articulated in one of these subsequent 24 e-mails. 25 So now that being said, I don't</p>	<p>1 2 think -- the restrictions really -- and the 3 conversations in there were -- many were 4 really around the excluded debt, and at what 5 point you could include intercompany in 6 excluded debt. And to my knowledge, the 7 conversations with Ally at that time in 8 August, of these starting that October, had 9 to do with insuring cash was in blocked 10 accounts. 11 Q. Going to your April 7, 2010 e-mail, 12 on the front of the document, I want to 13 direct you to the second point three that 14 says, "The accounting treatment is changed, 15 the intercompany lines and the Cerberus 16 entities would be reduced to zero so there 17 would be no issue under the revolver." 18 First of all, did I read that 19 correctly? 20 MR. ENGELHARDT: Hold on a second. 21 A. Yes. 22 Q. Did you understand if intercompany 23 claims were reduced to zero through an 24 accounting process, there would be no 25 intercompany claims subject to the blanket</p>
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<p>1 2 lien under the revolver as a result of such 3 change? 4 MR. ENGELHARDT: Objection to form. 5 MS. GOODMAN: Objection to form. 6 MR. ENGELHARDT: Objection to the 7 extent it calls for a legal conclusion 8 and objection to the grounds that it is 9 not 30(b)(6) topic. 10 MR. BAUMSTEIN: I asked did you 11 understand. 12 MR. ENGELHARDT: I know. I just 13 want to make my position clear as well. 14 A. Could you plead please repeat that. 15 (Record read) 16 A. The question assumes that the 17 intercompany line was subject to the blanket 18 lien and I don't think that we necessarily 19 agree that it was. We have already talked 20 about that. 21 If an intercompany line was reduced 22 to zero through an accounting change and 23 there happened to be a blanket lien which 24 there may or may not have been, then the 25 value of that lien would be zero.</p>	<p>1 2 Q. Did you personally have an 3 understanding whether the blanket lien 4 covered intercompany obligations? 5 MR. ENGELHARDT: Objection to form 6 and objection to the extent it calls for 7 a legal conclusion. 8 MS. GOODMAN: Same objection. 9 A. Only if that would have been 10 specified in the GSA and the grantor would 11 have been a grantor or the PSA and the 12 grantor would have been a grantor. 13 Q. And when you say only if specified, 14 does -- do you understand that an 15 intercompany receivable is an asset? 16 A. Yes. 17 Q. And do you understand that -- and 18 we can go to the document there, that the 19 grant of security extends to all assets less 20 excluded assets? 21 MR. ENGELHARDT: Objection to form. 22 Objection to the extent it calls for a 23 legal conclusion. 24 A. I'm not -- 25 MS. GOODMAN: Same objections.</p>

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<p>1</p> <p>2 A. I'm not sure if the definition of</p> <p>3 intercompany receivables falls within the</p> <p>4 definitions you are referring to. I</p> <p>5 understand it is an asset, lower cased, not</p> <p>6 defined term.</p> <p>7 I can't, sitting here, tell you if</p> <p>8 that is an asset within the meaning of the</p> <p>9 PSA and I can't, sitting here, tell you that</p> <p>10 the intercompanies that we are referring to</p> <p>11 are owned by parties which gave an interest</p> <p>12 in their assets.</p> <p>13 Q. Would you just go to Farley Exhibit</p> <p>14 3 for a moment.</p> <p>15 MR. ENGELHARDT: Which document is</p> <p>16 that, Counsel?</p> <p>17 MR. BAUMSTEIN: That's the first</p> <p>18 priority pledge agreement.</p> <p>19 Q. In discussing whether intercompany</p> <p>20 claims would be an asset, do you agree that</p> <p>21 if an intercompany claims falls under the</p> <p>22 definition of assets on page 7, that it would</p> <p>23 be covered for the entities covered under</p> <p>24 paragraph -- section 2 on page 7?</p> <p>25 MR. ENGELHARDT: Objection to form.</p>	<p>1</p> <p>2 Objection to the extent it calls for a</p> <p>3 legal conclusion.</p> <p>4 MS. GOODMAN: Same objections.</p> <p>5 A. Are you looking at subparagraph A?</p> <p>6 Q. Yes.</p> <p>7 A. I think that it -- this is my</p> <p>8 interpretation. I think that if an</p> <p>9 intercompany was owned by borrowers, grantors</p> <p>10 or the mobile home and the intercompany were</p> <p>11 same type of asset as described on schedule 6</p> <p>12 to this agreement, then it's possible that it</p> <p>13 would be covered.</p> <p>14 Q. Are you thinking specifically the</p> <p>15 second number three here?</p> <p>16 A. In the e-mail you pointed me to.</p> <p>17 Q. Yes. Well, I'm now not pointing to</p> <p>18 the second number three.</p> <p>19 By the way, did you understand that</p> <p>20 the first priority and pledge agreements,</p> <p>21 that everything that follows "all assets" was</p> <p>22 meant to limit the scope of the assets?</p> <p>23 MR. ENGELHARDT: Objection to form.</p> <p>24 Objection to the extent it calls for a</p> <p>25 legal conclusion.</p>
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<p>1</p> <p>2 MS. GOODMAN: Join in that</p> <p>3 objection.</p> <p>4 A. I think that is the way I interpret</p> <p>5 it given there is this long litany of other</p> <p>6 assets.</p> <p>7 Q. OK. Can I just direct your</p> <p>8 attention to the words that follow "assets"</p> <p>9 which says "including without limitation."</p> <p>10 Does that cause you to question whether, in</p> <p>11 fact, those assets, those lists were not</p> <p>12 supposed to be limitations on what "all</p> <p>13 assets" applied to?</p> <p>14 MR. ENGELHARDT: Objection to form.</p> <p>15 Objection to the extent it calls for a</p> <p>16 legal conclusion.</p> <p>17 MS. GOODMAN: Same objections.</p> <p>18 A. Not necessarily, but that I think</p> <p>19 is a matter of law.</p> <p>20 Q. New topic so you can put that away.</p> <p>21 Were you involved at all in</p> <p>22 negotiating the cash collateral order?</p> <p>23 A. No.</p> <p>24 Q. Did you ever have any discussions</p> <p>25 with anyone concerning the terms of the cash</p>	<p>1</p> <p>2 collateral order as it was being negotiated?</p> <p>3 A. No.</p> <p>4 (Exhibit 25, document Bates stamped</p> <p>5 RCUCCJSN 10828362 through 65 marked for</p> <p>6 identification, as of this date.)</p> <p>7 Q. I'm just going to direct you to the</p> <p>8 e-mail that you wrote here on -- it really is</p> <p>9 the text is on the third page, but it is</p> <p>10 dated September 6, 2012 at 5:38 p.m.</p> <p>11 A. OK.</p> <p>12 MR. ENGELHARDT: I am sorry, what</p> <p>13 number exhibit is this?</p> <p>14 THE REPORTER: That was 25.</p> <p>15 Q. Ms. Farley, I want to direct your</p> <p>16 attention to the middle of your September 6,</p> <p>17 2012 e-mail where you wrote, "Periodically,</p> <p>18 when GMAC/Ally (as our owner) wanted ResCap</p> <p>19 to change accounting treatment or take some</p> <p>20 action that would have a negative impact on</p> <p>21 the revolver, they would, quote/unquote,</p> <p>22 'revalue' certain assets on the revolver."</p> <p>23 Did I read that correctly?</p> <p>24 A. Yes.</p> <p>25 Q. What did you mean by that sentence?</p>

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<p>1</p> <p>2 A. We were a wholly-owned subsidiary</p> <p>3 of Ally, and within the finance group, they</p> <p>4 reported all the way up through Ally.</p> <p>5 If the finance group at Ally</p> <p>6 determined that they were making some sort of</p> <p>7 an accounting change, that would impact the</p> <p>8 ResCap financials, they would obviously have</p> <p>9 the ability to tell the finance groups</p> <p>10 reporting up to them that a financial change</p> <p>11 was necessary.</p> <p>12 To the extent that Ally or GMAC --</p> <p>13 or GMAC, same thing, determined to make a</p> <p>14 finance -- an accounting adjustment that then</p> <p>15 would impact the carry value of the assets on</p> <p>16 the revolver or something else having to do</p> <p>17 with the assets that was material would</p> <p>18 generally have noticed that that was</p> <p>19 happening through our own finance folk and</p> <p>20 Ally would typically revalue -- look at the</p> <p>21 collateral through their trade desk, and they</p> <p>22 may well revalue so that the advance rates</p> <p>23 came in higher on those assets and there was</p> <p>24 not a borrowing base issue.</p> <p>25 Q. And how would that negatively</p>	<p>1</p> <p>2 impact the revolver?</p> <p>3 A. Some of the accounting treatments</p> <p>4 like, for example, when loans moved from HFI</p> <p>5 to HFS, the value of those loans, the carry</p> <p>6 value of those loans dropped relatively</p> <p>7 significantly. In fact, very significantly.</p> <p>8 On a stand-alone basis, if you took</p> <p>9 what that adjustment was going to do to those</p> <p>10 assets and then multiplied it by the existing</p> <p>11 advance rates, there would be been a</p> <p>12 borrowing base shortfall. We knew that was</p> <p>13 coming.</p> <p>14 So that's the type of accounting</p> <p>15 change that then would create a negative</p> <p>16 impact because you would have a borrowing</p> <p>17 base shortfall.</p> <p>18 Q. And Ally would direct those things,</p> <p>19 is that correct?</p> <p>20 A. Ally as our parent had ultimate</p> <p>21 financial control over the workings of the</p> <p>22 finance department and the interpretations of</p> <p>23 FAS-B, CBS.</p> <p>24 It is not to say within the finance</p> <p>25 department they didn't have some push-back or</p>
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<p>1</p> <p>2 dialog or things happened within our own</p> <p>3 finance department that didn't necessarily</p> <p>4 impact Ally. But Ally needed to be aware of</p> <p>5 it.</p> <p>6 But the situation I'm talking about</p> <p>7 here is situations where Ally accounting</p> <p>8 treatments changed. They determined that</p> <p>9 they wanted a different interpretation of</p> <p>10 FAS-B, something was coming into play in the</p> <p>11 accounting world and they would direct its</p> <p>12 business units, including ResCap, to take</p> <p>13 that into account.</p> <p>14 Q. And what is your understanding why</p> <p>15 Ally may have wanted ResCap to have taken</p> <p>16 actions that would have a negative impact on</p> <p>17 the revolver?</p> <p>18 MR. ENGELHARDT: Objection to form.</p> <p>19 A. I don't think that Ally was taking</p> <p>20 actions that would create borrowing base</p> <p>21 shortfalls because it would create borrowing</p> <p>22 base shortfalls or have a negative impact.</p> <p>23 I think they were taking actions</p> <p>24 because they thought, from a finance</p> <p>25 standpoint, that that was the prudent thing</p>	<p>1</p> <p>2 to do, or in the case of -- there was a very</p> <p>3 large write-down within the BCG world and</p> <p>4 that was mandated by the government as a part</p> <p>5 of their -- the government investment, when</p> <p>6 Ally received the money from the government</p> <p>7 in January of 2009.</p> <p>8 So I don't think it was</p> <p>9 intentionally to hurt the revolver, but -- I</p> <p>10 think that there were consequences.</p> <p>11 Q. In the sentence you wrote, you put</p> <p>12 the word "revalue" in quotes. Is that</p> <p>13 because you questioned the legitimacy of such</p> <p>14 valuations?</p> <p>15 MR. ENGELHARDT: Objection to form.</p> <p>16 MS. GOODMAN: Objection to form.</p> <p>17 A. You have to ask Ally what exactly</p> <p>18 they did whenever they looked at the</p> <p>19 collateral as they changed their advance</p> <p>20 rates. We didn't have visibility into what</p> <p>21 exactly they were doing. We would send them</p> <p>22 off their tapes and they would come back with</p> <p>23 numbers.</p> <p>24 It's the nature of a borrower to be</p> <p>25 a bit suspicious in terms of the work that</p>

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<p>1 2 was done in terms of valuation and whether or 3 not advance rates were changed independent of 4 valuations. But we don't know -- I don't 5 know exactly what they did. You would have 6 to address that with them.</p> <p>7 Q. But you were suspicious? 8 MR. ENGELHARDT: Objection to form. 9 MS. GOODMAN: Same objection.</p> <p>10 A. It was in our nature to be 11 suspicious.</p> <p>12 Q. Why was it in your nature to be 13 suspicious? 14 MR. ENGELHARDT: Objection to form.</p> <p>15 A. We always thought the advance rates 16 were little low. We always thought the 17 valuation was a little bit low, and we were 18 always trying to protect our capital, protect 19 our assets and increase the capital we could 20 get or money we could get for them.</p> <p>21 They were always trying just the 22 opposite. You know, that's the natural give 23 and take of a lender and a borrower.</p> <p>24 Q. In the penultimate sentence, you 25 said, "I don't recall any revolver debt being</p>	<p>1 2 forgiven. Ally preferred to forgive other 3 debts first because by writing down the 4 revolver debt, the assets securing the debt 5 would more quickly benefit the bondholders."</p> <p>6 Could you explain what you were 7 referring to in that sentence? 8 A. I think I was just responding to 9 the question and giving some context to 10 Heather as to why I don't recall any Ally 11 write-downs.</p> <p>12 Q. Why do you believe that Ally 13 preferred to forgive other debts first? 14 A. At the time I wrote this, I must 15 have been aware of other debt that had been 16 forgiven.</p> <p>17 Q. What is the consequence to the JSNs 18 of other debt being forgiven other than the 19 debt under the revolver? 20 MR. ENGELHARDT: Objection to form 21 and to the extent it calls for a legal 22 conclusion. 23 MS. GOODMAN: Same objection.</p> <p>24 A. To the extent that the revolver was 25 paid -- was -- debt was forgiven on the</p>
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<p>1 2 revolver and the collateral was not released, 3 which it very likely would not have been, 4 there would have been -- that there would 5 have been more over collateralization of the 6 revolver debt as a result of the forgiveness, 7 and accordingly, after the revolver was paid 8 off, there would be more assets left to 9 support the payments on the senior and junior 10 bank holders.</p> <p>11 (Exhibit 26, document Bates stamped 12 RCUCCJSN 11714493 through 97 marked for 13 identification, as of this date.)</p> <p>14 A. I should say, Doug, that note there 15 was a blanket lien there and people were 16 certainly cognizant there were blanket lien 17 assets, but the value of the borrowing base 18 and how we looked at all the 19 collateralization was really associated with 20 the primary collateral and how we reported on 21 that and the blanket lien collateral could be 22 used without restrictions in the normal 23 course of business and the primary could not.</p> <p>24 So in essence that was more out 25 of -- reliable or secure collateral for both</p>	<p>1 2 the revolver and the bondholders.</p> <p>3 Q. I'm going to direct your attention, 4 really, I guess, to the top e-mail, but if 5 you need to read a little bit more context, I 6 understand as well.</p> <p>7 Do you recognize this document, 8 Ms. Farley? 9 A. I don't remember sending this. I 10 mean -- I have not seen this document.</p> <p>11 Q. OK. Do you have any reason to 12 doubt that in October of last year, you sent 13 an e-mail to Bill Tyson? 14 A. No reason at all.</p> <p>15 Q. Do you recall what the issue being 16 discussed here was? 17 A. It was really, I think, two issues. 18 One just related to the RF -- the population 19 of loans held by RFOC serviced by MCAP, and 20 the second is related to a tax liability that 21 would -- that will come about should an 22 intercompany loan not be paid by the end of 23 this year.</p> <p>24 Q. And do you recall what the concern 25 was that you, in the second paragraph --</p>

1
2 let's start with the first paragraph of the
3 top e-mail, you talk about how, with respect
4 to certain funds, about that were at issue,
5 RFC doesn't have the ability to use those
6 funds for other reasons unless both Ally and
7 the bondholders agree. What did that refer
8 to?

9 A. In order to -- in order for RFOC to
10 avoid this tax liability, RFC would have to
11 pay the amount it owes to RFOC. If it is not
12 repaid by December 31, 2013, taxes of
13 approximately 550,000 dollars will accrue
14 because that lending receivable, if you will,
15 will be converted into a dividend and then
16 taxes will apply. This is an issue that's
17 floated around.

18 What we did in December of 2012
19 with respect to the same type of issue,
20 basically, there was an RFC -- RFC owed money
21 to RFOC, the timing requirement was up as of
22 12/31/2012. The debt would be converted to a
23 dividend, taxes would accrue. What we did
24 was RFC sent out money to RFOC in the amount
25 of the receivable. RFOC, on the next

1
2 business day, sent money in the amount of
3 that paid, the amount paid back to RFC. And
4 that came back as a return of capital. And
5 so it was a cash neutral transaction to RFC.
6 It was a manner by which RFOC did not -- was
7 able to maintain more money because it didn't
8 end up having this tax liability.

9 So the proposal here was
10 basically -- or what we were discussing is
11 RFC sending money to RFOC out of, you know,
12 U.S. bankrupt cash, the cash in the various
13 accounts, to a nondebtor entity in Canada.
14 And that's really what we were talking about
15 in terms of -- that's what I was talking
16 about. In terms of RFC, to my knowledge, in
17 the bankruptcy scenario last fall could not
18 send money to nondebtor entities in payment
19 of intercompany debt.

20 Q. Right. And your understanding is
21 that if they were to make such a payment,
22 that would hurt Ally who, at that point,
23 there had been no settlement reached and was
24 I guess in the first lien position and the
25 bondholders by reducing their recovery by

1
2 550,000 dollars?

3 MR. ENGELHARDT: Objection to form
4 and to the extent it would call for a
5 legal conclusion.

6 MS. GOODMAN: Same objection.

7 MR. BROWN: Objection to form.

8 A. I'm not sure whom it would hurt
9 without thinking about that a little bit more
10 right here.

11 But basically what it would do is
12 it would reduce the estate by 550,000 dollars
13 because those taxes would be paid and,
14 ultimately, in the RFOC liquidation, the
15 monies coming back up into RFC and into the
16 bankrupt -- into the ResCap estate would be
17 less than 5 -- 550,000 dollars. Whether who
18 it would hurt if this were not paid would
19 really be a legal interpretation of where the
20 money came from.

21 Q. Well, in the --

22 A. Or who would be entitled to get it.

23 Q. In the middle paragraph, you have a
24 proposal and you say that would be cash
25 neutral to ROC, not impact Ally or junior

1
2 bondholders, and increase the eventual return
3 to the unsecured creditors. What did you
4 mean by that?

5 A. I think that I probably thought
6 that RFOC -- I guess I still think this --
7 RFOC assets are not assets that are subject
8 to the -- as primary collateral or subject to
9 the blanket lien.

10 If they are not subject to the
11 blanket lien or part of primary collateral,
12 then the cash would come up into the
13 unsecured creditors silo. It wouldn't impact
14 Ally, wouldn't impact the junior bondholders
15 because it is not assets that you would have
16 otherwise gotten or they would have otherwise
17 gotten.

18 Q. OK. Then just so I'm -- now I'm a
19 little bit confused. In the first paragraph,
20 you said that RFC is contractually obligated
21 to send the monies related to a sale of
22 pledged assets to a revolver account?

23 A. I'm probably talking about whatever
24 Bill is doing down here, but let me look.

25 I know what he is talking about.

1
2 His proposal is basically -- OK, the RFOC
3 assets that were sold, basically the
4 economics of those assets were pledged as
5 primary collateral, and so because they were
6 pledged as primary collateral, the sale
7 proceeds needed to be deposited in the
8 various accounts and ultimately would go to
9 the benefit of Ally and the junior
10 bondholders. OK.

11 His proposal was let's just
12 carve out the 550 dollars -- 550,000 dollars
13 from the sale proceeds. And so we will send
14 up the sale proceeds related to these loans,
15 include, you know, the economic interest in
16 these loans into the Ally and bondholder
17 accounts, but it will be short the 550,000
18 dollars, and that way, we will cover the
19 taxes, and that way, everyone is happy, and
20 my response to him is really there are two
21 different things. We can't take the 550,000
22 dollars out of the sale proceeds. We just
23 can't. That would hurt obviously Ally. It
24 would hurt the junior bondholders and you
25 would actually have to agree to that before

1 we could do that.

2 So this was basically saying can't,
3 can't short the sale proceeds. We have to
4 come about it a different way.

5 Q. Were you trying to come up with
6 ways that would ultimately benefit the
7 unsecureds but would also result in a
8 potential reduction of the recovery of the
9 secured bondholders?

10 MR. ENGELHARDT: Objection to form.

11 MS. GOODMAN: Objection.

12 A. Not at all. This would be neutral
13 to Ally and the junior bondholders. Ally and
14 the junior bondholders interest was in the
15 assets that were sold, the sale proceeds came
16 through to them.

17 To the extent that RFOC can
18 maximize its value by not paying taxes which
19 it would not need to pay, then that's good
20 for the estate and the unsecured creditors,
21 but there is no impact on this.

22 MR. BAUMSTEIN: I have nothing
23 further. I think Ms. Newman had a couple
24 questions she wanted to follow up.
25

1 MS. NEWMAN: I have a few.

2 MR. ENGELHARDT: I don't understand
3 procedurally how you can do that.

4 MS. NEWMAN: Are you telling me I
5 can't?

6 MR. ENGELHARDT: I don't know why
7 you can.

8 MS. NEWMAN: Why wouldn't I be able
9 to?

10 MR. ENGELHARDT: You ended your
11 examination. He continued the
12 examination. You are not --

13 MS. NEWMAN: Well, I didn't intend
14 to foreclose our ability to ask
15 additional questions. I don't know how
16 the prior depositions have been handled.
17 Have they been not doing it --

18 MR. BAUMSTEIN: I have only been in
19 one.

20 MR. ENGELHARDT: They haven't been
21 done by this method.

22 MS. NEWMAN: Are you going to tell
23 us we can't have --

24 MR. ENGELHARDT: I am not going to
25

1 tell you but I am not going to sit here
2 for another 20 minutes. If you have got
3 a few follow-up questions --

4 MS. NEWMAN: I don't know what the
5 basis to end the deposition in advance of
6 seven hours and I don't believe we have
7 gone more than seven hours. With all the
8 breaks, so I don't know what the basis
9 would be for you to tell us we are not
10 entitled to our seven hours.

11 MR. ENGELHARDT: The basis would be
12 is that you concluded your examination.
13 You said you have no further questions.
14 You're done. He had his questions, he is
15 done. That's the end of UMB's
16 examination. That's the end of the ad
17 hoc group's examination.

18 MS. NEWMAN: Are you taking the
19 position that the ending the deposition
20 and the deposition won't go on for 20
21 minutes because I think that's something
22 we would have it an objection to.

23 MR. ENGELHARDT: I said I will
24 allow you to ask questions --
25

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<p>1 2 MS. NEWMAN: Then I think we should 3 stop having this colloquy. 4 MR. ENGELHARDT: I am going to get 5 the colloquy on the record. I think this 6 is a not the proper way doing it. 7 MS. NEWMAN: You have gotten your 8 colloquy on the record. 9 MR. ENGELHARDT: One moment, 10 please. 11 EXAMINATION BY 12 MS. NEWMAN: 13 Q. Ms. Farley, thank you for your 14 time. I think it has been a long day for 15 everyone. 16 I have a few follow-up questions. 17 The first, were you involved in the 18 negotiation of the intercreditor agreement? 19 A. Yes. 20 MR. ENGELHARDT: Objection. 21 MS. NEWMAN: And you have -- what's 22 the objection to when you -- 23 MR. ENGELHARDT: Withdrawn, 24 withdrawn. 25 Q. And do you have an understanding of</p>	<p>1 2 the terms of the intercreditor agreement? 3 A. Yes, I have an understanding of the 4 terms. 5 Q. I can't remember if you said this 6 earlier today, I apologize if I am repeating 7 myself, were you also involved in the 8 negotiation of the pledge and security 9 agreement relating to the junior secured 10 notes? 11 A. Yes. 12 Q. And you have an understanding of 13 the terms of that agreement, is that correct? 14 A. Yes. 15 Q. Ms. Farley, are you familiar with 16 the way ResCap operated its business during 17 the 75 days preceding the bankruptcy filing? 18 A. Generally, yes. 19 Q. Do you still have schedule 6 in 20 front of you? 21 A. OK. 22 Q. Schedule 6 to the -- I am sorry, 23 not Exhibit 6. It was -- 24 A. The preference assets. 25 Q. Yes, exactly, I think that is it, I</p>
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<p>1 2 believe. Great. Would there be any way for 3 me to tell if cash collateral under the 4 revolver was used to fund loan originations 5 during the 75 days preceding the bankruptcy 6 filing? 7 A. You aren't talking about cash from 8 sale proceeds, you're talking about cash 9 subject -- what -- what cash are you thinking 10 of? 11 Q. So let me ask you first, would it 12 be possible that cash from sale proceeds -- 13 first of all, is cash from sale proceeds cash 14 from the proceeds of the sale of primary 15 collateral? 16 A. Yes. 17 Q. And would it be possible under the 18 terms of the revolver and the pledge and 19 security agreement relating to the revolver 20 for such cash proceeds to be used to fund 21 loan originations? 22 A. No. 23 Q. OK. So would it be possible for 24 other cash subject to the security interests 25 of AFI in connection with a revolver to be</p>	<p>1 2 used to fund loan originations? 3 A. Prior to the bankruptcy, yes. 4 Q. And if that took place during the 5 75 days preceding the bankruptcy filing, how 6 would I figure that out? 7 A. We would basically have to go into 8 the cash system and see where the wires had 9 been sent and we would be able to track it 10 that way. 11 Q. Would that depend on determining 12 which deposit accounts the cash used to fund 13 the originations was derived from? 14 A. It would be easiest if we knew the 15 dates and the amounts. But we have cash 16 records that show every withdrawal from every 17 account and so I think it would be possible 18 to go into the cash management system on a 19 daily basis and look at all of the accounts 20 and see the monies which came out of each 21 account and to where they had been sent. And 22 based on that information, you could probably 23 tell. 24 Q. OK. And based on your 25 understanding of the way in which the debtors</p>

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<p>1 2 operated their business in the 75 days 3 preceding the bankruptcy filing, is it likely 4 that loan originations were funded with this 5 type of cash collateral that we are talking 6 about now? 7 MR. ENGELHARDT: Objection to form. 8 MS. GOODMAN: Objection to form. 9 A. It's likely that the fundings 10 occurred out of accounts with collateral, the 11 control agreements on them. And whether or 12 not those particular accounts were subject to 13 the blanket lien is something, you know, I 14 can't really say right now. 15 But under the revolver, we were 16 allowed to use all cash except for sale 17 proceeds for business purposes. And this 18 clearly was an ongoing business purpose. 19 Q. Would there be a source for these 20 loan -- for loan originations that occurred 21 in the 75 days preceding the bankruptcy 22 filing other than deposit accounts that were 23 subject to control agreements in favor of AFI 24 in connection with the revolver? 25 MR. ENGELHARDT: Objection to form.</p>	<p>1 2 MS. GOODMAN: Objection to form. 3 A. We would be able to tell when loans 4 were originated by going into the origination 5 systems and the servicing systems of the 6 various businesses. 7 Once loans were originated, they 8 were also put in the general ledger, they 9 would have been uploaded to the CFDR. There 10 would have been an origination date 11 associated with them. 12 Q. My question is just was there 13 another source of funding other than the 14 accounts that were subject to control 15 agreements in favor of AFI? 16 A. I am not sure if the BMMZ facility 17 would have been used for that or not. But 18 other than that particular facility, I think 19 everything likely came out of the accounts. 20 the accounts subject to collateral control 21 agreements which were not the sale proceeds 22 accounts. 23 Q. OK. Looking now at schedule 6, 24 number 4 on the summary page, it lists 25 approximately 14 million dollars of REO. And</p>
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<p>1 2 I think we discussed earlier that REO is real 3 property that ResCap acquires as a result of 4 foreclosure, is that correct? 5 A. Yes. 6 Q. Would there be any REO coming into 7 the estate in the 75 days preceding the 8 bankruptcy filing as a result of something 9 other than a foreclosure? 10 MR. ENGELHARDT: Objection to form. 11 MS. GOODMAN: Objection to form. 12 A. I can't think of one. 13 Q. Now I want to ask you a question 14 about the loan modifications we talked about 15 earlier and we talked a little bit about how 16 I would try to figure out, based on the 17 debtor's information, whether a loan with a 18 new ID number is a modification. Do you 19 remember having that conversation? 20 A. Um-hm, yes. 21 Q. Is there any identifier associated 22 with a modified loan that would be the same 23 as the loan identifier associated with the 24 loan that was modified? 25 A. I'm not sure.</p>	<p>1 2 Q. OK. Again, it is hard for me to 3 understand what's really associated with this 4 because I'm not that familiar with the CFDR. 5 But if I were going to try to figure out if a 6 new loan ID was the result of a modification, 7 how would I tell someone how to do that? 8 MR. ENGELHARDT: Objection to form. 9 A. Using the -- in the CFDR, if you 10 can explain it. 11 MS. GOODMAN: Same objection. 12 A. I think there is probably an 13 identifier of some sort or something that 14 links it back in the CFDR. I'm not sure what 15 that is. But if there is something there, 16 you could look up -- you could do a sort, 17 really by that identifier. If it is not in 18 the CFDR, I would expect that there would be 19 something in the business unit, probably the 20 servicing systems that would create a link or 21 perhaps the origination system. At the time 22 of the modification, the servicing system was 23 updated for the new terms of that loan by -- 24 I think there may be something there as well. 25 Q. What is the servicing systems?</p>

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<p>1 2 A. Each business group has its own or 3 had its own systems that all fed in in 4 various ways, shapes and forms to the ledger 5 and to CFDR. The servicing systems would be 6 the systems used by the servicing groups that 7 serviced the loan. 8 There were different servicing 9 systems and there were different groups 10 within ResCap that serviced assets. That 11 could be determined by the loan number. 12 MS. NEWMAN: OK. Stefan, we are 13 going to request the facilitation of 14 another conversation between Zolfo Cooper 15 and Ms. Westman to try to figure out how 16 we would acquire or access this 17 information and we will follow that up 18 with a written request. 19 MR. ENGELHARDT: Certainly. 20 MS. NEWMAN: Now that is all I 21 have. And Ms. Farley, thank you again 22 for your time today. 23 THE WITNESS: You're welcome. 24 MR. ENGELHARDT: Anybody else? 25 MS. GOODMAN: I have some</p>	<p>1 2 questions. 3 MS. NEWMAN: I did not realize the 4 committee was going to ask questions, so 5 I will have to reserve my right to ask 6 some questions in response to any 7 questions that are asked. 8 MR. ENGELHARDT: I don't think you 9 have to reserve your right to do that, I 10 agree you would be entitled to do that so 11 long as it is within the scope of the 12 committee's examination. 13 MS. NEWMAN: Great. 14 - - - 15 16 17 18 19 20 21 22 23 24 25</p>
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<p>1 2 EXAMINATION BY 3 MS. GOODMAN: 4 Q. It is Alissa Goodman from Kramer 5 Levin Naftalis & Frankel on behalf of 6 unsecured creditors committee. 7 Earlier this afternoon, Ms. Newman 8 showed you Farley Exhibit 10 which is a copy 9 of the creditors committee complaint and the 10 schedules to that complaint. Do you remember 11 that? 12 A. Yes. 13 Q. She also asked you some questions 14 about the committee's complaint and those 15 schedules. Do you remember that? 16 A. Yes. 17 Q. And I think that you testified 18 earlier that you had never seen the 19 committee's complaint before, correct? 20 A. Except for the last two days. 21 Q. And until the past two days -- and 22 I assume you are referring to your 23 preparation for your deposition? 24 A. Yes. 25 Q. You also had never seen the</p>	<p>1 2 schedules attached to the committee's 3 complaint, correct? 4 A. That is correct. 5 Q. Ms. Farley, you were not involved 6 in preparing the committee's complaint, 7 correct? 8 A. Correct. 9 Q. You were also not consulted by the 10 committee or any of its advisors when they 11 were drafting the committee complaint, right? 12 A. Correct. 13 Q. And you were not involved in 14 preparing any of the schedules to the 15 committee complaint, correct? 16 A. Correct. 17 Q. You were also not consulted by the 18 committee or any of its advisors when they 19 were preparing the schedules to the 20 committee's complaint, correct? 21 A. Correct. 22 MS. NEWMAN: I want to clarify, for 23 the record, you are asking in an 24 individual capacity, not as a 25 representative of ResCap?</p>

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<p>1 2 MS. GOODMAN: Yes. Or any 3 capacity. 4 Q. You personally were not consulted, 5 correct? 6 A. Correct. 7 MS. NEWMAN: I guess my question 8 when you is say you, your question is 9 Ms. Farley, correct? 10 MS. GOODMAN: Yes. 11 Q. And Ms. Farley, you do not know 12 what the committee or its advisors looked at 13 in preparing the committee's complaint, 14 correct? 15 A. Correct. 16 MR. BAUMSTEIN: Objection. 17 Q. And you also do not know what the 18 committee or its advisors looked at in 19 preparing the schedules to the committee's 20 complaint, correct? 21 MR. BAUMSTEIN: Objection to form. 22 A. Correct. 23 Q. You did not have any discussions 24 with the committee members or the committee's 25 advisors regarding the preparation of the</p>	<p>1 2 committee's complaint, is that correct? 3 MS. NEWMAN: Objection. 4 MR. BAUMSTEIN: Objection to form. 5 A. Correct. 6 Q. And you also did not have any 7 discussions with the committee members or the 8 committee's advisors regarding the 9 preparation of the schedules to the 10 committee's complaint, is that correct? 11 MS. NEWMAN: Objection. 12 MR. BAUMSTEIN: Objection to the 13 form. 14 A. Correct. 15 Q. So when you were answering 16 Ms. Newman's questions earlier today about 17 the committee's complaint and the schedules 18 to the committee's complaint, you were 19 speculating, correct? 20 MS. NEWMAN: Objection. 21 MR. BAUMSTEIN: Objection to form. 22 A. I don't recall what all the 23 questions were. But I suspect that it was 24 based on my review here and my knowledge of 25 the business and some speculation, yes.</p>
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<p>1 2 MS. GOODMAN: No further questions. 3 MS. NEWMAN: I have nothing in 4 response. 5 MR. BAUMSTEIN: Nothing. Thank you 6 very much, Ms. Farley. 7 MR. ENGELHARDT: Thank you. 8 THE VIDEOGRAPHER: That concludes 9 the video record for today. The time is 10 now 6:15 p.m. We are now off the record. 11 12 13 <u>TERESA RAE FARLEY</u> 14 Subscribed and sworn to 15 before me this day 16 of MO , 2013. 17 18 19 20 21 22 23 24 25</p>	<p>1 2 INDEX: 3 WITNESS EXAM BY: PAGE: 4 T. Farley Ms. Newman 9, 267 5 Mr. Baumstein 191 6 Ms. Goodman 277 7 8 EXHIBIT INDEX: 9 NUMBER DESCRIPTION PAGE: 10 Exhibit 1 notice of deposition 27 11 Exhibit 2 Terry Farley's LinkedIn 12 profile 33 13 Exhibit 3 first priority pledge and 14 security agreement 46 15 Exhibit 4 loan agreement 46 16 Exhibit 5 document Bates stamped Note 76 17 Trustee 0000001 through 139 18 Exhibit 6 document Bates stamped 81 19 RCUCCJSN10831851 through 876 20 Exhibit 7 document Bates stamped 116 21 RCUCCJSN 11712385 through 90 22 Exhibit 8 document Bates stamped 116 23 RCUCCJSN 11864412 through 20 24 Exhibit 9 document Bates stamped 126 25 RCUCCJSN 10063316 through 328</p>

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<p>1</p> <p>2 EXHIBIT INDEX:</p> <p>3 NUMBER DESCRIPTION PAGE:</p> <p>4 Exhibit 10 Adversary Complaint for 129</p> <p>5 Declaratory Judgment,</p> <p>6 Avoidance of Liens and</p> <p>7 Disallowance of Claims with</p> <p>8 Schedules 1 through 5</p> <p>9 Exhibit 11 spreadsheet 133</p> <p>10 Exhibit 12 spreadsheet 159</p> <p>11 Exhibit 13 spreadsheet 165</p> <p>12 Exhibit 14 spreadsheet 168</p> <p>13 Exhibit 15 spreadsheet 169</p> <p>14 Exhibit 16 spreadsheet 169</p> <p>15 Exhibit 17 document entitled "Final 182</p> <p>16 Order"</p> <p>17 Exhibit 18 Notice of deposition of ResCap 193</p> <p>18 Exhibit 19 document Bates stamped 196</p> <p>19 RCUCCJSN 10339000 through 9001</p> <p>20 Exhibit 20 document Bates stamped 203</p> <p>21 RCUCCJSN 11889401 through 11</p> <p>22 Exhibit 21 document Bates stamped 203</p> <p>23 RCUCCJSN 11888783 through 858</p> <p>24 Exhibit 22 document Bates stamped 229</p> <p>25 RCUCCJSN 10292807 through 808</p>	<p>1</p> <p>2 EXHIBIT INDEX:</p> <p>3 NUMBER DESCRIPTION PAGE:</p> <p>4 Exhibit 23 document Bates stamped 233</p> <p>5 RCUCCJSN 10721290 through 304</p> <p>6 Exhibit 24 document Bates stamped AFI JSN 236</p> <p>7 0000273 through 280</p> <p>8 Exhibit 25 document Bates stamped 253</p> <p>9 RCUCCJSN 10828362 through 65</p> <p>10 Exhibit 26 document Bates stamped 260</p> <p>11 RCUCCJSN 11714493 through 97</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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<p>1</p> <p>2 CERTIFICATE</p> <p>3 STATE OF NEW JERSEY)</p> <p>4)ss:</p> <p>5 COUNTY OF UNION)</p> <p>6 I, MARY F. BOWMAN, a Registered</p> <p>7 Professional Reporter, Certified Realtime</p> <p>8 Reporter, and Notary Public within and</p> <p>9 for the State of New Jersey, do hereby</p> <p>10 certify:</p> <p>11 That TERESA RAE FARLEY, the witness</p> <p>12 whose deposition is hereinbefore set</p> <p>13 forth, was duly sworn by me and that such</p> <p>14 deposition is a true record of the</p> <p>15 testimony given by such witness.</p> <p>16 I further certify that I am not</p> <p>17 related to any of the parties to this</p> <p>18 action by blood or marriage and that I am</p> <p>19 in no way interested in the outcome of</p> <p>20 this matter.</p> <p>21 In witness whereof, I have hereunto</p> <p>22 set my hand this 18th day of September,</p> <p>23 2013.</p> <p>24</p> <p>25</p>	<p>1</p> <p>2</p> <p>3 ***ERRATA SHEET***</p> <p>4 NAME OF CASE: In Re Residential Capital LLC</p> <p>5 DATE OF DEPOSITION: September 18, 2013</p> <p>6 NAME OF WITNESS: Teresa Rae Farley</p> <p>7 Reason codes:</p> <p>8 1. To clarify the record.</p> <p>9 2. To conform to the facts.</p> <p>10 3. To correct transcription errors.</p> <p>11 Page ____ Line ____ Reason ____</p> <p>12 From ____ to ____</p> <p>13</p> <p>14 Page ____ Line ____ Reason ____</p> <p>15 From ____ to ____</p> <p>16</p> <p>17 Page ____ Line ____ Reason ____</p> <p>18 From ____ to ____</p> <p>19</p> <p>20 Page ____ Line ____ Reason ____</p> <p>21 From ____ to ____</p> <p>22</p> <p>23 Page ____ Line ____ Reason ____</p> <p>24 From ____ to ____</p> <p>25</p>